Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Peso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft182	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,643

Friday December 27 1991

D 8523A

ISRAEL

More money to go on settlements

Page 5

World News

Clean-ups may cost UK landowners $1.8m an acre

Owners of UK land contaminated by pollution could face clean-up costs of between £100,000 and £1m ($1.8m) an acre, under regulations to be enforced in the new year, according to a report.

Companies could be liable for the cost of clearing the effects of "noxious gases or liquids" from the soil, even if the pollution occured many years ago and they were not responsible for causing it. Page 7

Kenyan resignation

Kenyan cabinet minister Mwai Kibaki said he had quit as health minister over President Daniel arap Moi's decision to halt an inquiry into the murder of a former foreign minister, and over evidence of election-rigging. Page 5

Militants attack train

At least 47 people were killed and 40 injured when suspected Sikh militants stopped a train in Ludhiana district, in troubled Punjab, and opened fire on passengers.

Algerian elections

Algerians went to the polls in the North African nation's first free parliamentary elections that could end three decades of one-party rule and bring Moslem fundamentalists to power.

Bakhtiar case extradition

A French magistrate has started extradition proceedings for an Iranian arrested in Switzerland in connection with the murder of former Iranian prime minister Shapour Bakhtiar, the justice ministry said.

Fire-bombs kill 11

Kurdish rebels challenging Turkey's new government have taken their war to the cities with a fire-bomb attack on an Istanbul shop which killed 11 civilians.

IRA truce ends

Security forces in Northern Ireland were bracing themselves for a resumption of the Irish Republican Army's campaign of violence after its three-day Christmas truce expired at midnight last night. Economic and human cost of terrorism, Page 7

Indian ferry disasters

Seventy-one people were missing and feared drowned after three overcrowded ferry boats capsized in bad weather in India's West Bengal state. Only two bodies had been recovered despite a search of the area, about 200km north of Calcutta.

N Korea to sign treaty

North Korea declared Thursday it will sign a treaty allowing international inspection of its nuclear facilities, South Korean officials said. North Korea also declared that it would not possess facilities for nuclear reprocessing and uranium enrichment.

Dessie falls from grace

Racehorse Desert Orchard failed to achieve a record fifth win in the King George VI Rank Chase at Kempton Park, near London. Dessie, as he is known to fans, fell at the third last fence and, although unhurt, may be retired. The race was won by French-trained The Fellow at 10-1.

Business Summary

France clears Agnelli's FFr5.6bn bid for Exor

Agnelli family of Italy has been cleared by France's stock market authorities to bid FFr5.6bn ($1.03bn) for Exor, the holding company which controls mineral water company Perrier.

The move came after French regulators said Exor need not, after all, bid for two-thirds control of Perrier. Page 13

BRITISH TELECOM: The government plans to sell the rest of its holding in British Telecom at the earliest opportunity if it keeps power after next year's general election. Page 13; Lex, Page 12

ISUZU, Japanese vehicle maker in which General Motors of the US holds a 37.4 per cent stake, has suspended dividend payments after plunging into the red. It posted an annual taxable loss of Y48.38bn ($382.4m), compared with a profit of Y15.37bn last year. Isuzu blamed weak demand at a time of increased research and development spending. Page 15

US COMMERCE: President George Bush nominated businesswoman Barbara Franklin to become secretary of the Commerce Department. She will replace Robert Mosbacher, who is quitting to head the president's re-election campaign.

MIDLAND BANK plans to hand more powers back to individual local managers, chief executive Brian Pearse said. He blames some of British banks' problems on their tendency to centralise decision-taking. Page 13

IBM of the US, the world's biggest computer company, has agreed to supply Japanese electronics group Hitachi with its latest Japanese language personal computers for sale. The deal helps IBM's efforts to achieve wider market acceptance in Japan for a derivative of its MS-DOS operating system. Page 15

LLOYD'S OF LONDON insurance market has struck one of the biggest contracts with an overseas party for reinsurance. Syndicates managed by Merrett group, one of the biggest Lloyd's agencies, paid $75m to reinsure a slice of US liability exposures with Centre Re, subsidiary of Swiss insurer Zurich. Page 7

FRENCH DOCKERS began a 48-hour strike at big ports in protest against a government plant to reorganise working practices.

LASMO, UK oil and gas group which recently took over fellow oil group Ultramar, plans to set up Ultramar Canada as a separate concern as a first step towards disengaging from downstream activity. Page 14

BULLERS, loss-making UK giftware maker, had its shares suspended at 3.5p as some of its creditors agreed to convert its debts into equity and subscribe for new shares. Page 14

TELEFONICA de Argentina shares gained 4.4 per cent to Australs 2,870 as the newly-privatised Argentinian telephone company made its début on the Buenos Aires bourse.

Old regime's institutions disappear

Stresses threaten unity of former Soviet republics

By John Lloyd in Moscow

THE LAST Soviet institutions slid into oblivion yesterday as the tensions foreshadowed by Mr Mikhail Gorbachev, in his last speech as Soviet leader, began to break the thin threads of unity between the republics of the former Soviet Union.

The Russian flag, raised above the Kremlin in place of the Red Flag on Wednesday night immediately after his resignation speech, fluttered over the Union Supreme Soviet as two dozen deputies of the Chamber of the Republics – the upper house – listlessly voted themselves out of office.

Beforehand they accepted the resignations of Mr Victor Gereshchenko, the chairman of the state bank (Gosbank), and other Union officials.

Clashes are already occurring between the Russian authorities and those of Ukraine, the next largest republic in the Commonwealth of Independent States – which replaced the Soviet Union – and the most suspicious of a continuing rule from Moscow under a new guise.

As the US, EC and Germany moved swiftly to recognise Russia as the successor to the Soviet Union, Mr Vladimir Shlyaposhnikov, press secretary to Ukrainian President Leonid Kravchuk, said in an interview with the Reuters agency that Ukraine was disputing Russia's role as the legal successor to the Soviet Union.

Mr Kravchuk has spoken of his state's dismay at the apparent transfer of power from one Moscow government to the next. He said this was at odds with Commonwealth agreements at inaugural meetings in Minsk and the Kazakh capital, Alma Ata. Mr Shlyaposhnikov said Mr Kravchuk was "clarifying those agreements".

On Christmas Day Mr Kravchuk said in an interview with Izvestia that strategic nuclear forces on Ukrainian territory would be disarmed. This would effectively deny their use to the Russian president, Mr Boris Yeltsin, who has taken over control of the nuclear "button".

Defence ministers of the new Commonwealth met yesterday in Moscow to map out a joint military policy. They are concerned to overcome an impasse about what kind of army to create and what to do with the former Soviet Union's nuclear arsenal of 30,000 warheads.

Kazakhstan has objected to the original plan, under which it, Ukraine and Byelorussia would destroy their nuclear weapons and leave Russia as the only nuclear republic. Tass news agency said ministers would take new proposals to a Commonwealth summit in the Byelorussian capital Minsk next Monday.

There was also disagreement on the economic front. Mr Vladimir Lanovoy, the Ukrainian minister of state, said Russian ministers at a meeting in Moscow on Tuesday had confronted other republics with an ultimatum that they would raise prices on January 2 – but would not print banknotes to cope with increased demand.

The Russian government has published a resolution on price rises, decreeing "free prices based on demand and supply" for most goods, except for basics, children's food and medicines.

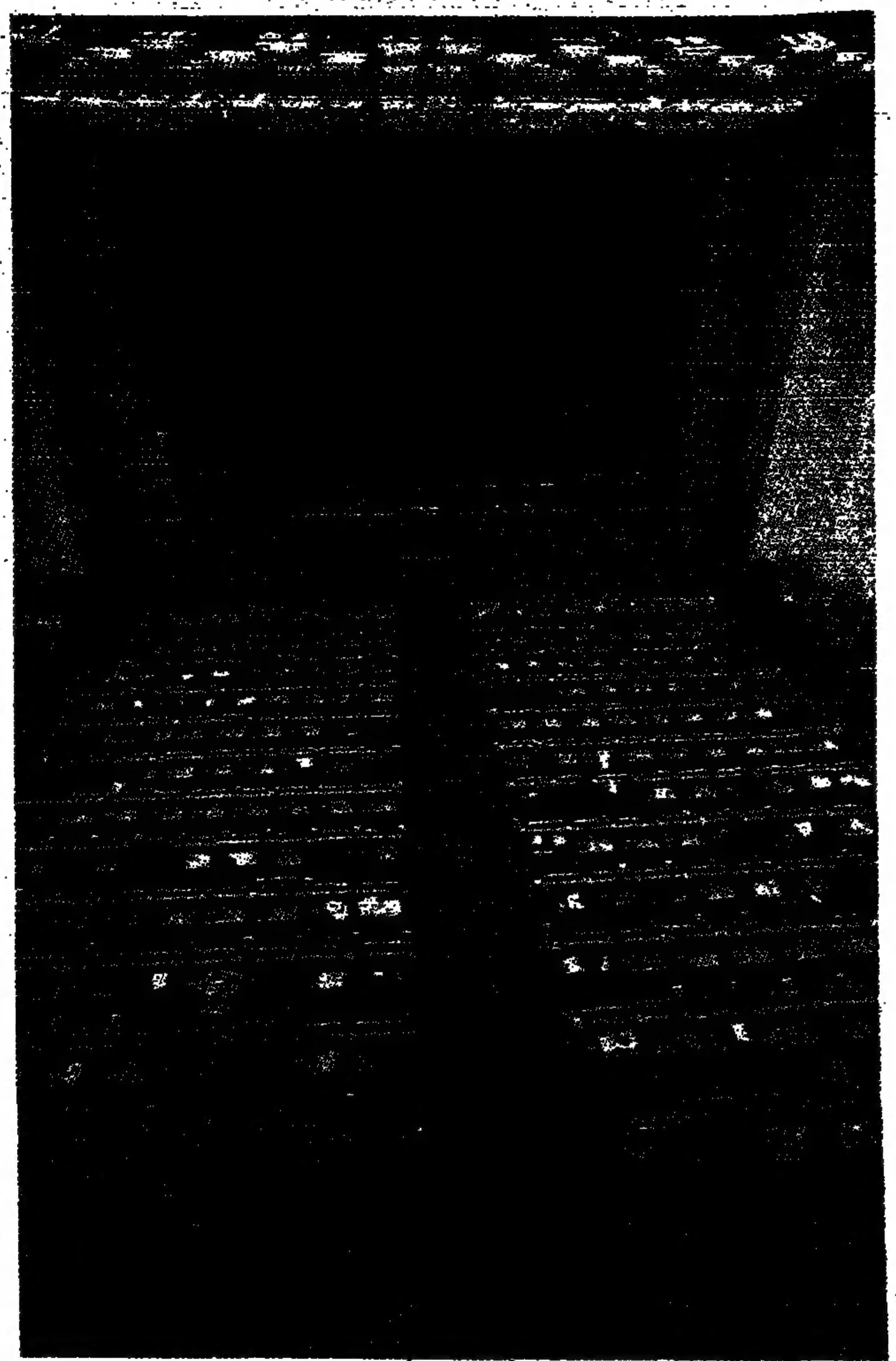
In the southern republic of Georgia there was a lull in the fighting between government and opposition forces which has claimed at least 40 lives since Sunday.

At a reception for journalists yesterday, Mr Gorbachev, who had warned in his brief speech of the "ruinous" effects of a "collapse of statehood", said he would take a three week break to consider his future role.

"Back in 1917 they said we would have a shining future. Now they say it was all a lie!" Gillian Tett talks to a centenarian who has lived through two world wars and four Russian revolutions .....Page 12

Gorbachev goes .....Pages 2, 3 and 4

Editorial comment ...Page 10



Era's end: few members of the Union's Supreme Soviet were at yesterday's final session

Bush moves to set up links with republics

THE US began setting up links with the republics of the former Soviet Union yesterday after President George Bush said he would recognise Russia and five other republics, writes George Graham in Washington and Our Foreign Staff.

President Bush acknowledged the independence of the remaining republics but said he would not establish full diplomatic ties until they had committed themselves to "responsible security policies and democratic principles".

He also said last night that he wants to meet soon with President Boris Yeltsin of Russia. "I think it is important. He thinks it's important. No date was set," Mr Bush said.

Germany moved swiftly to grant diplomatic recognition to Russia in place of the former Soviet Union, and also recognised Ukraine.

Recognition of the remaining 10 republics of the union will follow as soon as they agree to comply with European Community conditions of respect for human rights, for national minorities, and for existing borders, a foreign ministry spokesman said.

In Britain, Mr Douglas Hogg, the foreign office minister, will meet senior officials today to review the question of official recognition for the newly-independent Commonwealth states. Yesterday, officials said the UK government was likely to examine first the cases of Ukraine, Byelorussia and Kazakhstan – to see whether they had agreed to conform to the criteria hammered out at an EC foreign ministers' meeting last week.

From capitals across the world both former cold war foes and third world allies praised Mr Mikhail Gorbachev for his political achievements and integrity. Only China attacked the former Soviet president, accusing him of abandoning socialism and fomenting political chaos.

President Bush, in a televised address on Christmas night, said the US "recognises and welcomes the emergence of a free, independent and democratic Russia led by its courageous president, Boris Yeltsin".

Hailing the demise of the Soviet Union as "a victory for democracy and freedom", Mr Bush said the US would also support Russia's claim to take over the Soviet Union's permanent seat on the United Nations Security Council. The US would also establish diplomatic links with Ukraine, Armenia, Kazakhstan, Byelorussia and Kirghizia.

All the world has been his stage: US secretary of state James Baker is the FT's Man of the Year. Lionel Barber interviews him and explains why ....Page 10

Algeria wants Opec meeting on oil quotas

By David Lascelles, Resources Editor

OPEC MEMBERS are considering a call for an emergency meeting following the recent sharp fall in the oil price.

The call has come from Algeria, one of the more hawkish members of the oil group, which expressed concern about prices and said ministers should impose quotas on oil production to prevent a collapse in the market.

Saudi Arabia would have to support Algeria's call if a meeting was to take place, and so far the largest Arab producer has made no comment. Oil market analysts said Saudi Arabia's traditionally moderate stance on oil prices would make it reluctant to view the current state of the oil market as an emergency.

The next official meeting of Opec is scheduled to take place on February 12, when quotas

Continued on Page 12

Sharp rise in Tokyo balance of trade

By Rachel Johnson and John Hunt in London and Steven Butler in Tokyo

JAPAN'S current account surplus more than quadrupled in November to $7.26bn compared with $1.68bn a year ago, but the trade news had little impact on the world's post-Christmas stock and currency markets yesterday.

Japan, the US and France, the only major markets which opened, showed equity gains, but there was little early evidence that the pre-Christmas stock market rally would extend into the new year. Other European markets were closed and movements were exaggerated by thin volumes of trading.

The current account surplus news from Japan emphasised the vulnerability of the dollar, which has come under strain from the wide differentials between US and German interest rates.

In Tokyo, the dollar closed at Y126.65 and DM1.5065 after opening at Y126.70 and DM1.5085. In New York, the US currency was at much the same levels at midsession.

The trade account alone, which excludes invisible items such as insurance and tourism, nearly doubled to $8.65bn, compared to $4.43bn.

The sharp rises in Japan's external surpluses are proving a growing embarrassment to Japan, particularly in advance of the visit to Tokyo of Mr George Bush, the US president, who arrives on January 7.

However, better-than-expected jobless claims figures helped to prevent the dollar from falling further in New York. The dollar firmed against the mark after opening about one pfennig below Tuesday's close. It closed in Paris little changed at DM1.5215. The Paris bourse rose by 1.15 per cent.

According to a report published today by Legal and General, US interest rates have fallen 40 per cent since the fourth quarter of 1990. "The Federal Reserve may have over-stimulated the economy and underestimated the vigour

Continued on Page 12

Weekend FT

Tomorrow: An exclusive excerpt from Malcolm Bradbury's new novel, Dr Criminale

●

Sex, drugs and war: the year in sport

CONTENTS

Portugal is looking forward to its first spell in charge

Portugal is about to take on the presidency of the EC. Anibal Cavaco Silva, the prime minister, says EC membership was decisive in the development and modernisation of the country. Page 11

MARKETS

US LUNCHTIME RATES
Fed Funds: $4\frac{5}{8}$%
3-mo Treasury Bills: 3.922%
Long Bond: $105\frac{13}{32}$
yield: 7.503%

London markets were closed for Boxing Day

STERLING
New York lunchtime: $1.8865

DOLLAR
DM1.508
FFr5.1545
SFr1.3435
Y126.68
Tokyo close: Y126.65

Chief price changes yesterday: Page 13

GOLD
New York Comex Feb $358.0 (360.3)

STOCK INDICES
New York lunchtime:
DJ Ind. Av. 3,083.73 (+12.75)
S&P Comp 401.52 (+2.19)
Tokyo: Nikkei 22,555.07 (+93.9)

SELLING PRICE IN IRELAND 80p, IN MALTA 45c

GORBACHEV GOES

An inability to focus solely on retention of power proved the undoing of the last Soviet leader

The president who cared too much

'The fox knows many things, but the hedgehog knows one big thing'

IN THE division of humanity between hedgehogs and foxes, (first made by the Greek poet Archilochus and used in Isaiah Berlin's famous essay on Tolstoy) Mr Mikhail Gorbachev comes out clearly as a fox – the first to head the Soviet Union.

The previous leaders of the state since Lenin, with the partial exception of Mr Nikita Khrushchev, were hedgehogs who above all knew one big thing: how to keep and how to use power.

Mr Gorbachev, by contrast, knew and gave priority to many things. He knew the Soviet Union was losing ground to the west; that its rate of spending on armaments could not continue; that the peoples of eastern Europe were in a state of subdued revolt against their Communist leaders; and that corruption reached to the top levels of the party he led.

He also knew the country's ecology was fearsomely damaged and that the party

By John Lloyd
in Moscow

was so thoroughly bureaucratised that no one took responsibility for anything. All this and more he had seen for himself – or had been told by advisers and like thinkers – and had acted on.

For seven years – using a political skill which was the marvel of the world, and by drawing on his twin offices as general secretary and president and winning the initial support of radicals and democrats – he was able to retain his post and, for much of the time, keep up a momentum for change. But his lack of knowledge of power was his undoing.

One cannot say that in Mr Boris Yeltsin he met an immovable hedgehog: Mr Yeltsin has more of the fox about him, and may in time fall victim to the authoritarian hedgehog which many fear is over the horizon of post-Soviet politics. Mr Gorbachev, in releasing from party thrall the myriad of movements, hatreds, ambitions and social tensions which communism had suppressed by decreeing them to be non-existent, allowed a politics to develop over which he could not have control, and which in the end he could not lead.

Among the many political obituaries which appeared in the Soviet press in the last weeks of his formal reign was one in the pages of the magazine Ogonek, which had become one of the standard bearers of glasnost.

The author began his piece by pointing up that the Soviet president was a mystery, a series of paradoxes. "He was betrayed by his friends and saved by his enemies...crowds gave him a fervid welcome in Madrid, Bonn, Paris and Milan. At rallies in Leningrad, Riga and Moscow he was compared to Hitler and Hussein...no other politician in the world had so many hopes and disappointments associated with his name."

Mr Alexander Yakovlev, the president's long-time confidant and aide who, with Mr Eduard Shevardnadze, the Soviet foreign minister, spent many days in the presidential chambers giving support to their boss, once remarked that no one really knew who Mr Gorbachev was. The same view was given by a more recent adviser, Mr Grigory Yavlinsky, who struggled to press for more radical reform. "You cannot know what Gorbachev is thinking. He is the man in the mask."

This was in part due to a remarkable lack of political principle, a curious thing in a man now rightly lauded for his courage and strength. He ended his office having dropped or betrayed almost everything in which he said he had believed or was employed to sustain; the power of the Soviet Union, the primacy of the Communist party, the ideals and practices of state socialism, and the suppression of private ownership.

Above all he betrayed the party, signing it into oblivion within two days of his return from the Crimea after the August putsch, in order to retain his dwindling presidential powers. Only at the end did he claim to be unable to breach a principle – that of the retention of some sort of union structure – although it is impossible to know whether or not this was a real principle or simply a way of giving dignity to a departure he knew was inevitable.

In any event it struck few chords with the republican presidents who destroyed the Soviet Union to create a Commonwealth of Independent States at Alma Ata on December 21: and few with the people who had grown sick of him.

This lack of principle was a marvellous thing, as the principles he vowed to defend were so dreadful both for the world as a whole and for his own people in particular. The fact that he betrayed them so comprehensively raises the root question about Mr Gorbachev. Did he know he was destroying the tyranny which made him? Or was he a blessed fool who thought – as he said he did – he was improving and strengthening it, and in the end blundered or was pushed into being a democrat?

The west saw him as genial and never quite stopped marvelling at how different he was from his stone-faced, or threatening, predecessors.

We experienced him as benign, acting in a state of grace under the benison of Mrs Margaret Thatcher, proposing and delivering a dizzying series of arms reductions which left President Ronald Reagan speechless and unbriefed in Reykjavik and allowed President George Bush to inherit the withdrawal from east and central Europe and the final collapse of the "evil empire" – a term Mr Gorbachev finally, implicitly, seemed to accept.

Under the policies initiated by him and Mr Shevardnadze the Cold War was ended. That has left a dual legacy: on the one side lies the possibility of replacing a hugely costly arms race with the redeployment of resources to address human needs; on the other is the prospect of huge uncertainty, as nations released from a flabby totalitarianism experience external and internal tensions within the ruins of states still armed to the teeth with nuclear weapons.

Nuclear weapons exist independently of the superpower rivalry which gave their deployment some rough balance. To find a new security remains an urgent project in which Mr Gorbachev, the great destroyer/liberator, will at best play a marginal role.

To his fellow Soviet citizens, who did not elect him, he was never an unalloyed blessing. Early on he incurred dislike for an absurd anti-alcohol campaign which drove up prices of one of the few pleasures of life and destroyed some of the best vineyards.

The first efforts at economic reform, from 1987, which brought in "self-financing" to state enterprises and legitimised co-operatives, did little to improve the quality of life for most. On the contrary, the increasing decay of the state systems of production and supply, greatly speeded up over the past two years, meant lower production, worsened supply and a huge boost to the black markets and, hence, cost of living.

The co-operatives were and remain a training ground for free enterprise (and were and are cordially hated for the fortunes they often make for their founders). But they clustered in the trade and hard currency sectors of the economy and improved the lives of foreigners and the new class, merely emphasising the meanness of the lives of most. Now, as post-Soviet capitalism begins to gather pace, the commodity exchanges – which are more like bulk retail sales outlets, and which work in the growing gap between state supply and popular demand – are as much a symptom of the terminal decline of the system as a flower of the future.

As Mr Egor Gaidar, the Russian deputy prime minister in charge of economic reform, has pointed out, about 11 economic reform plans were elaborated under Mr Gorbachev, authored by such figures as Mr Abel Aganbegyan, Mr Leonid Abalkin, Mr Nikolai Petrakov, Mr Stanislav Shatalin and Mr Yavlinsky. None were implemented, not even in part. Mr Gorbachev blew hot and cold on them – but always, when a fateful decision had to be made, he drew back, fearful of the abyss in which he would plunge a people used to the once-iron verities of state order.

For those who continued to believe in the leading role of the party he was at first infuriating, latterly treacherous: the final signatory – after the failed putsch – of its death. Yet even before the putsch the party's guts had been torn out, its best and its worst people leaving or passive.

Those who launched the putsch – including Mr Gorbachev's own choices as vice-president, defence minister, prime minister and chief of staff, with the backing of his oldest friend in politics, Mr Anatoly Lukyanov, the chairman of the Supreme Soviet – did so not in the name of a revived communism but in a despairing and ramshackle gesture of protest against encroaching chaos.

They may genuinely have thought the president would join them. On his own account, in a rambling little essay published as The August Coup, he was offered the option of taking a rest in the Crimean villa to which the plotters came, while they "did the dirty work" of enforcing a state of emergency, after which he could return as president.

If so, they merely joined the list of those who could not tell who the president was and what he thought; or perhaps that is really what he was and what he thought, but at the last minute, typically, he changed his mind.

Once seen as scarcely able to put a foot wrong, Mr Gorbachev is now seen as having blundered through a tragedy of errors mixed with personal tantrums.

In 1988 he excoriated Armenian nationalists in a live interview from Yerevan airport two days after nearly 30,000 Armenians had perished in an earthquake. He is also remembered for stumping off the Lenin mausoleum when radicals barracked him during the 1990 May Day parade through Red Square and for threatening to cut off the microphone as Mr Andrei Sakharov, the only great figure the contemporary Soviet opposition produced, annoyed him during a Supreme Soviet debate.

Most of all, though, he is seen as having lost out in the struggle with Mr Yeltsin. Having raised Mr Yeltsin to the politburo, he humiliated him in party and parliamentary forums and pushed him to the post of deputy minister of construction.

It was crude, but not crude enough. It kept Mr Yeltsin on the scene rather than in a mouldering embassy, and allowed the former first secretary of Sverdlovsk (now Ekaterinburg, recalling that it was here where Tsar Nicholas II was killed by local Bolsheviks) to develop his talent for populism and deepen his understanding with the originally distrustful radicals and democrats. These groups were later to act as the support group for his successful bid for the Russian presidency six months ago.

Many observers and most ordinary Russians think it was this fatal weakness, this lack of the hedgehog's instinctive knowledge of big power, which was the last, largest and fatal mistake. For a population taught to regard politics as the thin rationalisation for force, this is a reasonable conclusion.

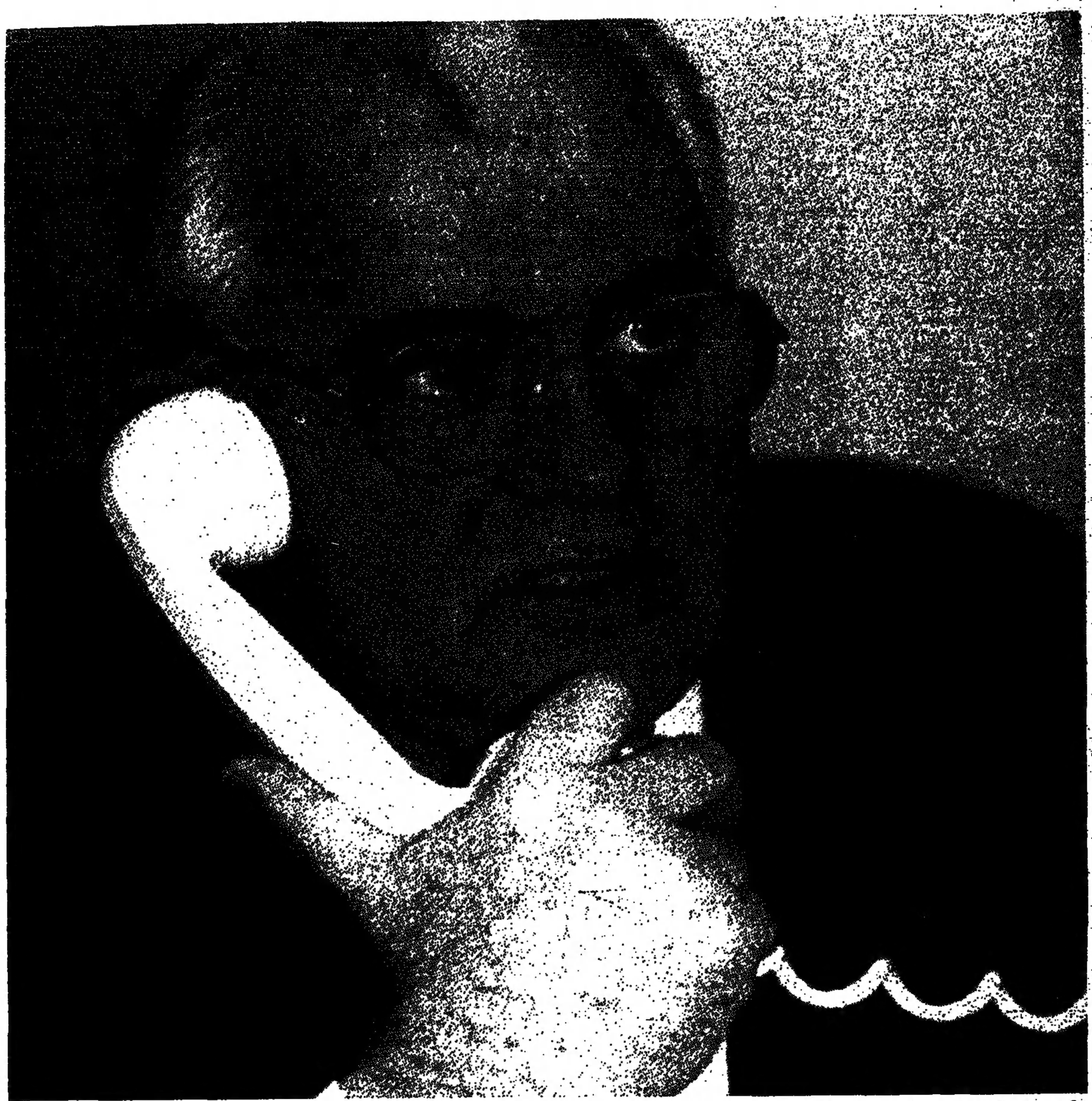
As for Mr Yeltsin, from his public finger-wagging at Mr Gorbachev when he appeared before the Russian parliament after the putsch, to the condescension of his comments on the departing leader in the last few days, the Russian leader has clearly derived some relish from turning the tables.

But the tables will not wholly turn on Mr Gorbachev. Weaving between the shifting poles of politics to buy time and space, conceding today what he regarded as impossible to countenance yesterday and then claiming it as his dearest principle tomorrow, he nevertheless was the fox for the moment.

Once the tide started to flow far faster than he wished he did not attempt seriously to stop it – not even when, between November of last year and April of this, he tacked over to the hardliners' side and permitted his temporary allies some blood in the Baltics.

Claiming to base his philosophy on the fundamental humanism of Lenin he ended up destroying the 74-year reign of terror and stagnation which Leninism ushered in across half of Europe. For all of his many talents, capacities and energies, his greatest trait was one blessed incapacity: the incapacity for the systematic use of the force and fear of the system he inherited.

The fox's seven years have done the world great service. Only his own world does not, for the moment, seem to know it.



PARTING OF WAYS: Mikhail Gorbachev, in the Kremlin on Wednesday, speaks to US President George Bush on the telephone for the last time as Soviet leader. He resigned during a televised speech later that evening

'YOU HAVE GIVEN US OUR FREEDOM, BUT YOU HAVE LOST OUR TRUST'

Visionary with an economic blind spot

MR Mikhail Gorbachev is a tragic figure of classical proportions, about whom dramatists will be inspired to write for years to come. The fact that he seized his fate, and wrestled with it only to be consumed, makes him so.

Mr Gorbachev once wanted to become an actor, suggesting to a girlfriend that he might go to drama school rather than study law. This sense of the theatrical gave impetus to his leadership in a world of stultifying Communist orthodoxy: his blending of literary tragedy and real life created a truly Russian mixture in which the ability to divorce the two seems curiously absent.

Moreover, he leaves behind the sort of unanswered questions and enigmas which are bound to challenge the poet and playwright.

Why did the highly successful apparatchik of the Communist party become the instrument of its destruction? And why in the end did this remarkable visionary – a man aware of the need for revolution in his own land and of the necessary transformation in international relations – lack the vision to see where it was all leading?

That he was a committed Communist of sorts is beyond doubt. And yet he was committed to an ideology which was dead from the moment Mr Nikita Khrushchev denounced the deeds of Josef Stalin, in his famous secret speech to the Communist party in 1957. That speech was a formative influence for the young Gorbachev and all his closest colleagues in later years: men like Mr Ivan Frolov, his political adviser and subsequently editor of Pravda, the party newspaper, and Mr Anatoly Lukyanov, his right-hand man as chairman of the Supreme Soviet, before he was accused of betrayal in last August's abortive putsch.

For almost 30 years they had to live a dead ideology in order to rise to the top and call a halt. How much did they believe?

Mr Gorbachev came of peasant stock, his grandfather was arrested and banished by Stalin, his family were not party members, and his mother had him baptised into the Russian Orthodox Church – all undoubted influences on the man who eventually was to pull down the pillars of the party temple.

He went to university in Moscow, a country boy from southern Russia making good, and there he was certainly infected by the great Russian tradition of the intelligentsia.

In later years he was clearly attracted by often wordy intellectuals and philosophers – people like Frolov and his other political adviser, Mr Georgi Shakhnazarov – at the expense of others who might have provided sharper

Quentin Peel on the failings of an enigmatic leader

political advice.

He travelled abroad, even when he was only a humble agriculture secretary in Stavropol, visiting France and Italy and seeing for himself just how backward his own country had become.

Thus he became the willing tool of his mentor, Mr Yuri Andropov, chairman of the mighty KGB, who had decided that the Soviet system was failing disastrously in the technological race with the west. But he went far further than Mr Andropov would have done, abandoning his early calls for order, discipline and *uskoreniye* (acceleration) to move into the fundamental political reform enabled by glasnost.

And then he lost his nerve.

The key moment was almost certainly September 1990, when he was all but persuaded to pick up and run with the 500-day Shatalin plan of drastic economic reform. The plan would have finally destroyed all the corrupt central power of the party, the bureaucracy, and the military-industrial establishment. It would have cut off the unlimited credit for the big defence enterprises and the loss-making state and collective farms. So their bosses rebelled, threatened a coup, and Mr Gorbachev panicked.

The Shatalin plan offered an economic union to hold the Soviet empire together – loosely. It was probably the last chance to hold it together at all and, at that stage, the still-feeble republics might have accepted it. But Mr Gorbachev believed it was too little; in the end he was left with nothing at all.

Economics was one blind spot in his vision. He simply did not understand how the market economy might work. He shared the peasant mistrust of private enterprise.

His other blind spot was nationalism. He never understood it.

He flew to Armenia to give sympathy following the 1989 earthquake, and was howled down by angry crowds for failing to tackle their national grievances. He flew to Lithuania to head off their drive for independence, and ended up in angry arguments in the streets and in debating chambers, failing to understand the resentment.

At the end his greatest failure was in not understanding his own Russian people. Mr Boris Yeltsin felt, and brilliantly manipulated, the conviction of ordinary Russians that they too were exploited by their own empire.

Mr Gorbachev was too steeped in the spurious "internationalism" of Communist mythology to understand. He did not pave the way for democracy, but rather for liberation. The liberation process has seldom been very democratic and often very bloody, and Mr Gorbachev's achievement is that the bloodshed has been limited, at least so far.

One epitaph was delivered on him, more than two years ago, by Mr Yuri Afanasyev, a leader of the democratic opposition in the Congress of People's Deputies. "Mikhail Sergeievich," he said, "you have given us our freedom, but you have lost our trust."

Continued role in politics envisaged

MR Mikhail Gorbachev wants to remain in politics, Reuter reports from Moscow.

"I will not hide in the woods," he said in a television interview after his resignation. "I intend to continue to participate in a new role in my country's politics and in implementing the new thinking in world affairs."

The former Soviet president added that recent discussions with his partners and colleagues "showed me that they want me to continue in this way".

Initially Mr Gorbachev plans to take a rest. "I have not had a single full vacation in seven years, and each year should be counted as several."

He will receive a pension of Rbs4,000, worth about £23 at current tourist rates, a flat and a country house, 20 bodyguards and two cars.

Before his resignation, the New York Times newspaper reported Mr Gorbachev had been offered posts at several US universities, including one so eager to have him it had offered a professorship to his wife Raisa.

This was confirmed by Mr Gorbachev earlier this week, but he added he had received "serious and interesting proposals" from Japan, Germany and France.

Mr Gorbachev will, however, head an international research fund named after him. Mr Vladimir Tumarkin, the president's spokesman said from the Kremlin on Mr Gorbachev's last day in office: "He will head the new international fund for social, economic and political research – the Gorbachev Fund. He has already agreed."

The fund was set up for him by Russian President Boris Yeltsin. Mr Gorbachev set up a similar organisation, after the failed coup in August, to generate ideas and give advice on political and social issues.

The fund was headed by a close Gorbachev aide until it was disbanded by Mr Yeltsin, along with other ministries as Russia took control of central Soviet institutions.

Mr Yeltsin ordered the formation of the Gorbachev Fund after the two leaders had discussed the transition of power.

Some Soviet analysts have suggested Mr Gorbachev might become a leader of the opposition. There is a widespread belief that the Commonwealth of Independent States, replacing the Soviet Union, will prove unworkable.

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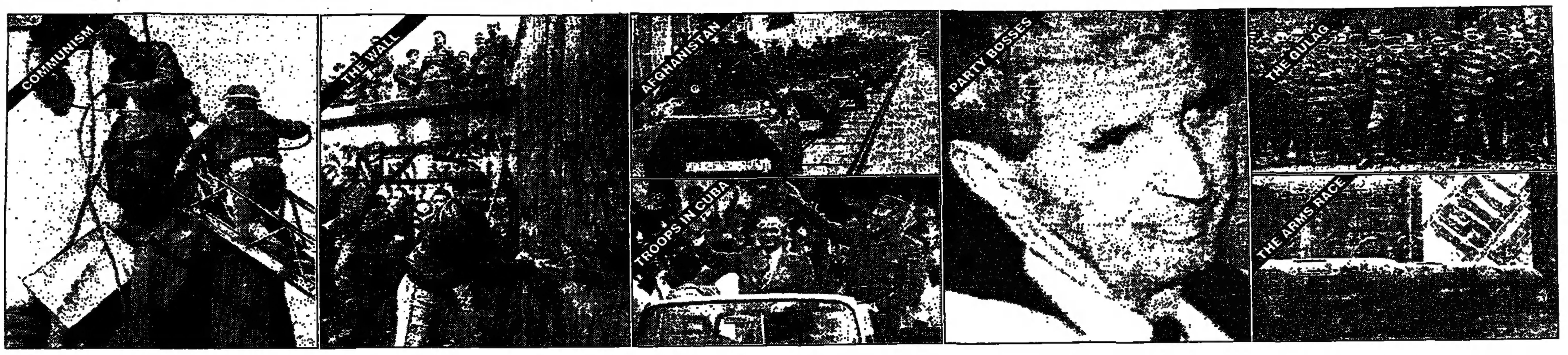
GORBACHEV GOES

Seven important chapters that closed during Gorbachev's seven extraordinary years as Soviet leader



Chinese government fires parting shot

By Anthony Robinson and Ivo Dawnay in London

CHINA yesterday launched a bitter attack on Mr Mikhail Gorbachev,as other governments across the world praised his statesmanship but hastened to recognise Russia as the successor to the defunct Soviet Union.

Xinhua, the official Chinese news agency said Mr Gorbachev, whose resignation on Christmas Day marked the end of the world's first Communist super-power, had abandoned socialism and fomented political chaos, ethnic strife and economic crisis with policies of glasnost, perestroika and political pluralism.

However, the harsh words from Beijing contrasted with warm words from former Cold War foes and third world allies alike. Mr Hans Van Den Broek, Dutch foreign minister, speaking for the European Community, praised Mr Gorbachev for daring policies which had recognised that the time had come to end the partition of Europe. The EC yesterday recognised Russia as the successor state to the old Soviet Union. It also recognised Ukraine and Armenia.

The Community had sought written acceptance of EC-drafted guidelines from other republics before offering recognition. These terms, originally framed in the context of EC policy towards the Yugoslav republics, include compliance with United Nations and Helsinki Final Act commitments to human and ethnic rights, respect for borders and compliance with other international obligations, including nuclear disarmament and non-proliferation pacts.

A statement issued by the EC's Dutch presidency yesterday said it was satisfied that replies received from Armenia and Ukraine contained "the required assurances for recognition". It expected to receive replies from other republics soon, the statement added.

President François Mitterrand paid tribute to Mr Gorbachev for freeing Soviet society, bringing about disarmament and ending the Cold War. "I wish to express my personal gratitude for the work accomplished in the defence of peace and to assure him of my feelings of friendship and best wishes," he said.

In Britain, Mr Douglas Hogg, Foreign Office minister, will meet senior officials today to review the question of official recognition for the newly-independent Commonwealth states.

Officials said the UK government was likely to examine first the cases of the "big three" – Ukraine, Belorussia and Kazakhstan – to see whether they had agreed to conform to the EC criteria.

India, which had long standing trade and military links with the Soviet Union, extended recognition to all 12 of the former Soviet republics, including Georgia which has not yet applied to join the new Commonwealth of Independent States founded last weekend. But the biggest Indian Communist party, mourning the demise of the old Communist state, called the disintegration of the Union "a historically retrograde step" and predicted the rebirth of socialism.

The Iranian government, one of several along the southern borders of the old Soviet Union which hope to establish closer ties with the five mainly Moslem republics, was also among the first to recognise Russia and the new republics but omitted Moldova from the list.

Israel, which recently re-established diplomatic relations with the Soviet Union after decades of hostility, was also quick to announce its intention to extend recognition to all the republics. Tel Aviv also made clear that it expected Russia to take over co-sponsorship of the Middle East peace talks which are due to reconvene in Washington on January 7.

In Havana, the Cuban government, too, announced its recognition of the former Soviet republics, including Georgia. After years of increasingly bitter exchanges between President Fidel Castro and Mr Gorbachev, Cuba now faces further economic privations as Mr Yeltsin has made clear he intends to reduce oil and other supplies to the island further.

In South Africa, President F W de Klerk, praised Mr Gorbachev for ending oppressive policies domestically and his withdrawal from regional conflicts in Africa and elsewhere. Soviet "new thinking" in foreign policy led to the withdrawal of Cuban troops from Angola and helped make possible both independence for Namibia and the apartheid reform policies previously blocked partly by white fears of the Soviet-backed Cuban presence in the region.

Bonn swift to recognise Russia and Ukraine

By Quentin Peel in Bonn

GERMANY yesterday granted diplomatic recognition to Russia and the Ukraine. Recognition of the remaining 10 republics of the union will follow as soon as they agree to comply with EC conditions of respect for human rights, for national minorities, and for existing borders, a foreign ministry spokesman said.

The existing German consulate general in Kiev, the Ukrainian capital, will be upgraded to the status of a full embassy. At the same time Mr Hans-Dietrich Genscher, German foreign minister, gave his support for Russia to take over the Soviet seat in the United Nations Security Council.

The moves came after Chancellor Helmut Kohl issued a statement of fulsome tribute and thanks to President Mikhail Gorbachev within minutes of the Soviet leader's resignation speech on Wednesday.

The prominence given the demise of the Soviet Union, and the departure of its president, underlines the dismay felt in Germany at the disintegration process, and the belief on all sides that without Mr Gorbachev, German unification could never have happened.

"The decisive contributions of Mikhail Gorbachev to German unity, and to the new beginning in relations between our peoples, remain unforgettable," Mr Kohl said. "We Germans – and I personally – owe him a great debt.

"Mikhail Gorbachev led his country out of more than 70 years of paralysis and suppression. He made possible the free development of the peoples of central, east and southern Europe, and strengthened their right to choose their own path of development.

"Without Mikhail Gorbachev, it would have been impossible to overcome the east-west conflict, and to achieve the unparalleled successes of recent years in disarmament, and arms control."

Germany is now torn over how to pursue its relations with the former Soviet republics. There is grave concern in the government at the possibility of further disintegration and confrontation between republics. There remains a deeply felt popular desire to help the emerging nations survive the likely hardship of the current winter and those to come. But there is also a feeling that Germany has already donated more cash and more food than any other industrialised nation, and it is time for others to do more.

Commercial credit has dried up in the wake of the Soviet trade payments' crisis and the latest decision by Vnesheconombank to suspend payments of principle on debts. The whole subject of German exports insured by Hermes, the export credit agency, is being reconsidered by the cabinet.

On the other hand, the German government is far more directly concerned about the prospect of economic collapse in the former Soviet Union than the other western industrialised nations, and therefore remains a leader in the campaign for more substantial international assistance to reform the republics' economies.

Envoy to UK hoists his new colours

By Jimmy Burns

MR BORIS PANKIN was one of the few hard-working men to be found in London yesterday.

He marked his first day as Russian ambassador to the United Kingdom with a hectic round of diplomatic engagements – mainly conducted long-distance over the phone – and a hastily convened press photo-call outside the imposing embassy building in Kensington Palace Gardens.

The photo-call under a clear blue winter sky was to mark the replacement of the red Soviet banner by the Russian red, white, and blue. Although the flag at the embassy had been changed in a discreet ceremony earlier on in the day, Mr Pankin emerged after lunch to emphasise the historic importance of the event.

"I would like to draw your attention to this flag and what this means. It means first of all that the country that you knew as the Soviet Union no longer exists," he declared.

Instead, the embassy would represent Russia and the Commonwealth of Independent States until such time as any individual republic wished to opt for separate diplomatic representation.

The Soviet embassy in London has had its fair share of centralists, unreconstructed Communists and KGB agents, but no large purge of its 35-strong staff seems imminent.

According to Mr Pankin the instructions received from Mr Yeltsin over Christmas were that the embassy should for the time being continue in its functions with the same relatively multi-national structure. Although the majority of staff are Russian like Mr Pankin, there are also three Ukrainians and two Belorussians.

The ambassador's "liberal" credentials mean that for him at least the changes taking place in Moscow could mean business continuing very much as usual. Significantly, he laid emphasis yesterday on the importance of Russian representation within international organisations, including membership of the European Bank for Reconstruction which is based in London.

Mr Pankin left the Communist party last August when, as ambassador to Prague, he was the only Soviet envoy to denounce the attempted coup. He was subsequently appointed foreign minister before being given the London appointment earlier this month in a move that reportedly had the joint approval of both Mr Gorbachev and Mr Yeltsin.

Among those at the London embassy yesterday was Second Secretary Mikhail Shirkalov. A former Communist party official, he seemed anxious to proclaim his allegiance to the new authorities. "I don't think anyone in the staff can say anything for sure about their future here," he confided.

East Europeans grateful but struggling

By Judy Dempsey, East Europe Correspondent

FOR THE peoples of eastern Europe President Mikhail Gorbachev was the second Soviet liberator in half a century. They had little reason to thank Stalin, who pushed out the Nazi occupiers only to impose Soviet-style totalitarianism. But they have much for which to thank Mr Gorbachev.

He made it possible for them to regain their identity and sovereignty, without having to replay the bloody street fighting of Berlin, Budapest, Warsaw and Prague which rose hopelessly against a Red Army. In 1989, when people power reasserted itself throughout eastern Europe, Mr Gorbachev ordered the army first to stay in barracks, and then return home. But for all that, the Soviet president has left the region in an state of flux.

The collapse of Comecon and the disintegration of the Soviet Union has robbed them of vital markets to the east. The reluctance of the European Community to ease the transition from the one-party state to the market economy through liberalising trade, has left them with large food surpluses.

The hesitancy of western governments to formulate a long-term policy towards the region has meant that eastern Europe will remain highly volatile for the foreseeable future.

In that sense, eastern Europe's release from Leninism and the Red Army has created a dangerous vacuum which potentially could be filled by nationalist, ethnic and economic tensions.

But why, if eastern Europe provided industrial and agricultural goods for Moscow, and a *cordon sanitaire* for Soviet security, did Mr Gorbachev allow the empire to collapse?

In 1985, when he came to power, eastern Europe was no longer the monolithic structure which Stalin bequeathed to the Soviet leadership. A fossilised one-party state was confronting the emergence of pockets of civil society.

Nowhere was this more evident than in Poland, where the Communists were unable to cow the Solidarity trade union into submission, and in Hungary, where reform Communists, led by Mr Imre Pozsgay, and Mr Miklos Nemeth, were eroding the party's power base.

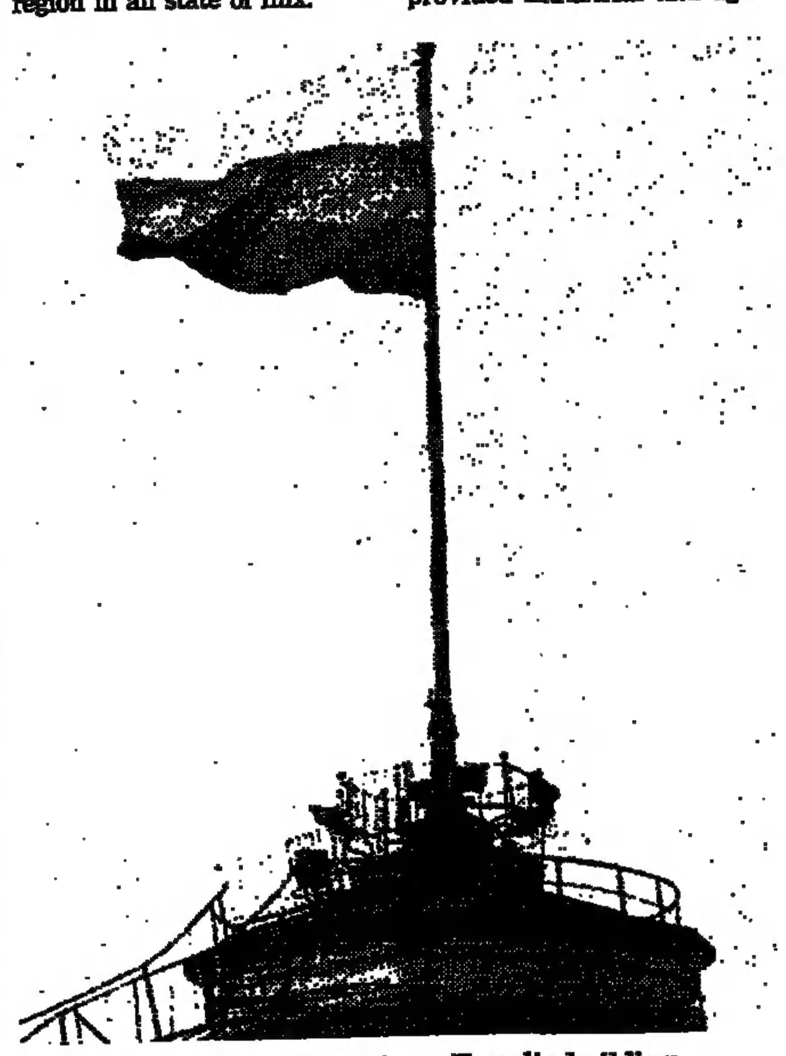
As a means of limiting the damage to the Communist establishment, Mr Gorbachev allowed Poland to set up round-table negotiations in the spring of 1989. What emerged the following August was a system of power-sharing.

The understanding from Moscow at that time was that if the Communists retained the crucial Interior and Defence ministries, a reformed Communist system could function. This was a serious miscalculation. What happened in Hungary showed how, once the momentum for change was unleashed, it became impossible to stop the collapse of the entire post-1945 system.

In Budapest, the Communist party was already in a state of decay following the reburial in June 1989 of Mr Imre Nagy, leader of the crushed 1956 Hungarian uprising. This extraordinary funeral robbed the Communists of any pretence to historical legitimacy. Thus, in September, after stormy, and fruitless negotiations with Mr Erich Honecker, then still East German leader, Hungary decided to let thousands of East Germans flee to the west.

The Hungarians were motivated by humanitarian reasons, as well as self-interest to the extent that Bonn would reward them. But the consequence of this decision was incalculable. A way around the Berlin Wall had been found.

It was only a matter of time before east Germans, and Czechoslovaks, Bulgarians and Romanians used "people's power" to topple their own governments from power. The attempt at damage limitation was over. Mr Gorbachev could no longer control the tide of history.



Russian flag now flutters atop a Kremlin building

Sea change that ended up sinking the state

Anthony Robinson on how the strategy ran out of control

PRESIDENT Mikhail Gorbachev and Mr Eduard Shevardnadze, his foreign minister, transformed Moscow's view of the world and the world's view of Moscow. They co-managed a sea change in Soviet foreign policy from Cold War rivalry to co-operation in all areas, from arms control to the freer flow of information and people.

In so doing, however, they undermined the whole strategic and ideological basis on which depended the very existence of the Stalinist Soviet Union they inherited. As an enemy the Soviet Union had to be respected. But, in the process of becoming a friend, it lost its identity and ultimately its very existence.

Such an outcome was simply unimaginable at the outset. The initial strategy was to reduce Moscow's economic and military *burdens in the third* world, broaden diplomatic contacts with the non-Socialist countries, and build great power co-operation on regional issues which would strengthen trust in the crucial area of Soviet foreign policy – the US-Soviet relationship.

It was a policy that made a virtue out of necessity. The conviction had been maturing for years that pouring billions of dollars worth of military equipment and aid into "revolutionary" movements and governments was not only useless but counter-productive.

Ideologically motivated support for self-styled Marxist-Leninist regimes was quietly dropped, or drastically scaled down in the special case of Cuba. In Asia, Vietnam was prodded into leaving Cambodia and the last Soviet troops quit Afghanistan. The task of improving relations with China, Japan and the economically dynamic "Asian tigers" moved up the agenda.

In the Middle East, decades of one-sided military and political support for radical Arab regimes shifted to a more balanced approach. This culminated in Soviet support for UN resolution 678 which authorised the use of US-led military force to force Moscow's old ally Iraq out of Kuwait, *and the restoration* of diplomatic relations with Israel.

An early result of the "new thinking" in Soviet foreign policy was the ending of a series of destructive bush wars in Africa. This was was sealed by the agreement signed in Washington in December 1988 between Angola, Cuba and South Africa. It led to the with*drawal of* Cuban troops from Angola and independence for Namibia under UN supervision, but jointly guaranteed by Moscow and Washington.

Actions like these helped to strengthen the role of the UN and helped cement western faith in the Soviet commitment to improved east-west relations and with the rest of the world. This was seen most clearly in the series of increasingly friendly summit meetings, first with an initially sceptical President Ronald Reagan and then with President George Bush. These tended to mark milestones in rapid progress towards nuclear and conventional arms reductions agreements. These included the INF agreement, which rid Europe of intermediate-range nuclear missiles, the treaty on conventional forces in Europe, and a 50 per cent reduction in strategic arms.

Progress in conventional and nuclear arms negotiations was helped by important changes in Soviet doctrine like the move to "strategic sufficiency", instead of offensive superiority, as the basis of Warsaw Pact thinking, and ultimately by Moscow's willingness to give up eastern Europe.

In the better east-west climate investors and western financial institutions like the IMF and the World Bank were enlisted to help reconstruct the Soviet economy. This task which became ever more complex as the collapse of the centrally planned economy coincided with the unravelling of Mr Gorbachev's central power base and *as political and economic* change took on a momentum of its own.

For most Europeans Mr Gorbachev will be remembered as the man who declined to prop up even reformist Communist regimes in east and central Europe two years ago. He thus paved the way for the re-unification of Germany and regained sovereignty for all those countries in the region "liberated" in 1945 only to be "Sovietised" by Stalin.

For his historic role in dismantling the legacy of the cold war Mr Gorbachev was awarded the Nobel peace prize in 1990. But by this time internal opposition was building among conservatives who felt betrayed by a foreign policy which gave up so much, in terms of territory, weapons and prestige. His ambivalent stance during the military crackdown in the Baltic states last January reinforced the growing impression of a man no longer in control of events.

The avalanche of change both at home and abroad has finally overtaken him. Responsibility for the longer term consequences of the changes he *wrought* has passed to the republican leaders. He started the avalanche, but cannot have imagined how far and how fast it would have taken an empire that only six years ago looked so menacing – and likely to stay so for ever.

Washington forced to adjust to life without the old certainties

By Lionel Barber in Washington

THE RESIGNATION of President Mikhail Gorbachev opens an unpredictable chapter in US relations with the former Soviet Union. For President George Bush, it means the loss of a familiar, usually friendly, individual who had his finger on the nuclear button. In the coming months, Mr Bush may find himself looking back with nostalgia at the predictability of the past – even the Cold War.

Mr Gorbachev probably did more than anyone else to end the Cold War, and Americans were grateful. At the peak of his powers, perhaps in the twilight of the Reagan administration in 1988, he was hugely popular. His winning smile, his western suits, and his willingness to "pump the flesh" in a crowd made him that most potent American commodity, a celebrity.

Mr Gorbachev offered more than style. His speech to the United Nations in December 1988 was an earthshaker, foreshadowing the withdrawal of Soviet forces from eastern Europe and the end of the Communist party's monopoly on power.

Mr Gorbachev told Mr Bush and Mr Ronald Reagan as much, during a meeting that same day on Governor's Island just across from Manhattan; but it took some time for Mr Bush to take him at his word.

Ever fearful of the conservative wing of the Republican party (and nervous about the speed with which Mr Reagan had apparently succumbed to the Soviet leader's charms), Mr Bush held back. It was left to Mr James Baker, US Secretary of State, to take the lead. And so began an extraordinarily productive relationship between the latter and Mr Eduard Shevardnadze, the Soviet foreign minister.

In less than 18 months, the two men wrapped up, or made vast strides towards ending, much of the Cold War rivalry between the US and Soviet Union: regional conflicts in Angola, Afghanistan, Cambodia, and Nicaragua; complex arms control negotiations such as the strategic arms reduction talks and the conventional arms talks in Europe.

The one drawback was that this relationship became so productive that it blinded the top layer of the administration to the forces of change inside the Soviet Union.

Thus, Mr Boris Yeltsin, the aspiring reformer from Russia, was called a buffoon by one senior US official during his first visit to Washington in 1989. Jokes about Mr Yeltsin's table manners surfaced again during his visit last summer; few saw it as important that Mr Yeltsin, unlike Mr Gorbachev, had faced the voters and won elective office.

The desire to cuddle up to Mr Gorbachev was always justified as part of the geopolitical game, particularly during the Gulf war when Soviet acquiescence in the US-led liberation of Kuwait was seen as vital. Smaller causes were ignored: when the leaders of Lithuania, Latvia and Estonia pressed their case for independence at the White House they were treated as nuisances.

The resignation of Mr Shevardnadze almost exactly a year ago came as a shock. The remaining US illusions disappeared after the abortive putsch last August. For a brief period, Mr Bush sought to prop up Mr Gorbachev and the remnants of central authority; but the overriding reason was concern about the security of the Soviet nuclear arsenal and its 27,000 warheads. Mr Bush, too, felt a sense of loyalty.

In the past three weeks, starting with Ukraine's overwhelming vote in favour of independence from Moscow, the US administration has gradually shifted ground. Instead of focusing on the relationship between the centre and the republics, it is concentrating on that between the republics themselves, on matters ranging from trade, nuclear policy, human rights and borders.

Mr Gorbachev's exhortations in favour of preserving the old union may have been intended to sound like President Abraham Lincoln's warnings just before the outbreak of the Civil War; but his huffy protests about how badly he was being treated sounded more like President Richard ("You won't have me to kick around any more") Nixon.

In the end, Mr Gorbachev became an obstacle to the revolutionary changes which he himself set in motion. This was true in the US as much as in the former Soviet Union. The difference is that – unlike in Moscow – he will be sorely missed in Washington.

GORBACHEV GOES

LOOKING TO THE FUTURE

Commonwealth 'too frail to withstand the forces of nationalism'

By John Lloyd in Moscow

THE treaties and protocols establishing the Commonwealth of Independent States have not yet been ratified, but already *the ramshackle edifice* is falling apart.

As both Mr Mikhail Gorbachev and Mr James Baker, the US Secretary of State, have predicted in the past few days, it is presently too frail a construction to withstand the forces of nationalism, and of ethnic self-preservation, which are *still gathering strength*.

It is Ukraine which, once again, appears in the role of the disturber of the peace of Alma Ata, where the Commonwealth first created in Minsk by Russia, Ukraine and Belorussia was *extended to eight* more states.

At a meeting of senior ministers of the Commonwealth states in Moscow on December 24, the Russian leadership made it clear it would proceed with price and other reforms on January 2: the previous day, Mr Genady Burbulis, the Russian first deputy prime minister, *had made it brutally clear* that the dominant republic would *institute reforms as* soon as possible, irrespective of the views and actions of the others.

According to the Interfax news agency, Mr Vladimir Lanovoy, the Ukrainian Minister of State, objected vehemently, accusing Russia – now in *control of the USSR State Bank* – of refusing to print the extra roubles needed to cope with the higher prices and of unilaterally raising prices on oil.

"Such conduct," said Mr Lanovoy in an interview with Ukrainian television, "is impermissible and will provoke retaliatory measures."

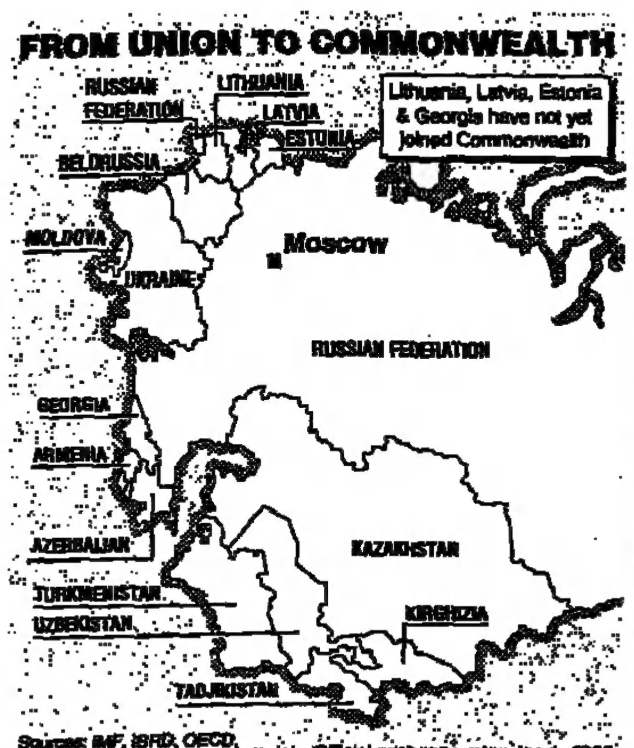
As the weekly Commersant *newspaper noted yesterday*, "Ukraine is like the plug in a dyke: if it leaves the Commonwealth, the dam will burst."

For Ukraine, the Commonwealth was at most a minimal structure: an attempt to ensure that its neighbours, especially Russia, did not trouble it too *much. Even* the Commonwealth's core function, the retention of strategic nuclear weapons under a unified and centralised command, is now *questioned*: in an interview with the evening paper Izvestia on Wednesday, Mr *Leonid* Kravchuk, the Ukrainian president, rejected the Russian interpretation that it now controlled the use of Ukrainian *missiles, and made it clear* that he, as commander-in-chief of all military forces on his territory, also commanded the tactical nuclear weaopons.

Ukraine is both frightened of Russia, and contemptuous of it: it notes with *forboding the* frequently restated claims on the Russian-populated region of the Crimea, arbitrarily assigned to Ukraine 40 years ago; at the same time Ukrainian television news routinely features the empty shops and dreary queues of Moscow and *other* Russian cities, with the explicit message – "is this the *kind of country you want to be* united with?"

The heads of the commonwealth states meet in the Belorussian capital of Minsk next Monday to discuss – among other things – closer economic co-operation: it is already all but certain that such efforts will, at best, produce verbal agreement not worth the hot *air with which it is announced*.

For all but those states who are utterly dependent on Russia – as the central Asian states are – Russia now makes a bad partner. It has taken over all of the institutions of the former Soviet Union, including the banking and *financial institutions: it thus* controls the printing of money and the advancing of credit, and has said that it intends to be strict with both.



Sources: IMF, IBRD, OECD, EBRD, BBC, Economist and Europa Yearbook

Official exchange rates Jan 1, 1990: $/Rouble = 1.68, $/£ = 1.61

	POPULATION (million)	% of USSR	NET OUTPUT (per head USSR = 100)	TRADE (bn roubles) INTERNAL	FOREIGN	OIL PRODUCTION (million tonnes)
RUSSIA	148m	51%	119	3.6bn	-32.4bn	552m
UKRAINE	52m	18%	90	1.6bn	-7.7bn	5m
BELORUSSIA	10.3m	3.6%	117	3.1bn	-2.0bn	2m
LITHUANIA	3.7m	1.3%	110	-0.4bn	-0.7bn	-
LATVIA	2.7m	0.9%	119	-0.3bn	-0.6bn	-
ESTONIA	1.6m	0.5%	117	-0.2bn	-0.4bn	-
MOLDOVA	4.4m	1.5%	81	0.6bn	-0.9bn	-
GEORGIA	5.4m	1.9%	86	0.6bn	-0.9bn	-
ARMENIA	3.3m	1.1%	80	0.6bn	-0.7bn	-
AZERBAIJAN	7.1m	2.5%	70	2.0bn	-0.8bn	-
KAZAKHSTAN	16.7m	5.8%	74	-5.4bn	-2.1bn	25m
UZBEKISTAN	20.3m	7.0%	47	-3.9bn	-0.1bn	3m
TADJIKISTAN	5.2m	1.8%	43	-1.1bn	-0.1bn	-
KIRGHIZIA	4.4m	1.5%	53	-0.5bn	-0.7bn	-
TURKMENISTAN	3.6m	1.3%	61	-0.3bn	-0.2bn	6m

Trade balances are at domestic prices. At world prices, Russia shows a surplus with the other republics of 28.5bn roubles. *With the rest of the world and at world prices*, Russia has a surplus of 12.8bn roubles.

This month, the president of the Russian Oil and Gas Corporation gave figures that indicated oil production from the former Soviet Union had fallen by 16% since 1988.

Thus these states, which have declared themselves independent, have no effective control over the central mechanisms of monetary policy: they *are thus forced either to* concede such control to Russia, or to *break free from its influence* by creating their own currency and banking systems.

It is precisely this which Ukraine is preparing to do, with Belorussia, at least, following suit. The national problems, now written in blood across the Caucasus, are also *not amenable to solution under* the new post-Soviet Commonwealth – any more than similar such conflicts were soluble by the British, post-imperial commonwealth.

Azerbaijan and Armenia are *both members, but the killing* continues in and around the enclave of *Nagorno Karabakh* which is in dispute between them. Moldova and Russia are both members, but Moldovans and Russians are in a state of near civil war in that republic.

Within the vast Russian Federation itself, the prospects for *further national dissolution* are very large. The relatively *wealthy autonomous republic* of Tatarstan on Wednesday proclaimed itself ready to join the Commonwealth – as an independent state: while in Chechen Ingushetia, also a Russian republic, a decision has been taken to divide the area into two new republics, *Chechenia anmd Ingushetia*, to provide homes for the two main ethnic groups (who have conflicting aims, and may in the future actually come into conflict).

Nothing has yet been done by *the central Russian power* to bring such republics to heel, in spite of the warnings of Mr Alexander Rutskoi, the Russian vice president and vocal critic of his own government.

"The old system," said Mr Gorbachev in his farewell address, "fell down before the new one started working. The *crisis of society* deepened. . . the collapse of statehood is the most ruinous thing in this crisis. Today I'm concerned that our people are losing citizenship of our great country and the consequences may be very grave."

These are the words of a losing politician: for all that, the former President is right to *point to the fact that life is* likely to be hard, even dangerous, for those former Soviet citizens who claim one kind of ethnicity to find themselves a minority in the state of another.

The Russians of the Baltics face clearly discriminatory citizenship *legislation*: the many hundreds of thousands of Caucasians in Moscow face growing resentment because of the activities of the Mafia gangs disproportionately staffed and led by their fellow countrymen; the central Asians who have *fanned out across the Soviet* Union to escape from the workless poverty of their villages and towns will now – at a time of rising unemployment – be seen not just as strangers, but as foreigners who have their own countries to get back to.

Ms Okhana Dmietrva, an expert on ethnicity at the IMEMO foreign affairs think *tank in Moscow, says that* "there is no way of 'solving' the nationalities question, or even of keeping it at its present level. It will worsen. All that can be done is to hope to understand and moderate it."

The forecast of many of those who supported the *continuation of the Union* – some 20 per cent, according to a poll published on Wednesday in the Rossiskaya Gazeta – is that the drive for independence has some way to go yet, as has a worsening of the economic and social conditions, before the leaderships of the republics realise that they had better *pool their efforts in* an association which works, than squabble over the duties and responsibilities of a commonwealth which cannot.

This is possible but unlikely soon: the logic of their positions, and of the urgency with which the Russians are now *setting about reform* coupled with the extreme unpropitiousness of the times in which they are doing it, will mean that the only effective power centres – the republican governments – will be forced by their own needs for political support and survival to attempt to export their problems to *other* republics in the form of people whom they wish to leave, or demand which they wish to see satisfied at someone else's expense, or blame which they wish to lay on other leaders.

The experience *of the creation* of the European Economic Community shows how sophisticated are the political horse trading and compromises needed to go into incremental *agreements* on a relatively restricted range of issues: and these *negotiations* are carried on between rich and advanced states with skilled and well-trained *bureaucracies* and with stable borders.

With Russia as a partial exception, the members of the Commonwealth of Independent *States have small*, unskilled bureaucracies, endless claims on each other and are daily getting poorer.

One senior (former Soviet) foreign *office official*, who wished his name withheld, said yesterday that "in every republican foreign office there are perhaps one or two diplomats who know a little about the world and how diplomacy works: there are a few more in Ukraine. The level of competence is *very low indeed. None* of them is trying hard to attract people like us to work there: they will prefer their own people. It is not being proud on my part to say that it will be a terrible mess."

The best that can be hoped for from the Commonwealth is that, after a period in which it means very little, it is granted greater powers by members who realise inter-republican brawling is a zero sum game.

Says Ms Dmietreva: "Logic, common sense, is now on the side of the nationalists. *For* them independence is the best bet: it is after all being recognised by the West, which for them is like a great prize. They *do not yet know that the prize* is worth nothing much in hard cash."

Family emotions mixed over Gorbachev's demise

By John Lloyd in Moscow

THE three generations of the Starkov-Krupchina *family*, by profession and leaning at the very core of support for Mr Mikhail Gorbachev, the former Soviet president, were by turns sympathetic, gloomy and indifferent about Mr Mikhail Gorbachev's *12 minute speech of* resignation.

"He left power in a most civilised way," said Natasha Starkova, the grandmother of the family, a strong-willed, strongly-built woman in her sixties. "*The republics will want him* back as president soon," said Mr Nikolai (Kolya) Krupchina, her son-in-law.

The adults are intellectuals, working at the Moscow State University (Mr Gorbachev's alma mater): Natasha in the philology department, Nikolai teaching economics, *their* daughter Marina as an administrator.

All had been Party members, leaving earlier this year. In past months, they had been scathing about the late Soviet president: *on Wednesday night*, Natasha at least was generous.

"*He did it very well. He* explained why he could not remain, he said he was against the Commonwealth but said he would support it."

Natasha Starkova has seen a good deal: terror and near starvation *in Moscow in the war*; work as a teacher afterwards; marriage to a military lawyer who was proudest of his role in rehabilitating "enemies of the people" in Khrushchev's thaw.

She has supported Yeltsin for the last year, attending a few rallies and eagerly reading his speeches: laughing at her own new enthusiams, she says: "I'm Yeltsin's girl."

Phoning her friends yesterday, she found they had shared her feelings. "We thought his (Gorbachev's) worst mistake was not to support the last reform plan, the Yavlinsky one – that was the worst mistake for him and for the coun*try. There were many mis*takes. But we all agreed that we were grateful to him for what he began."

Mr Nikolai Krupchina, in his mid-forties, is a new Russian man: an academic turned *entrepreneur, leaving a 400-500* rouble a month job as economics lecturer to become a founder member of a new association of commodity exchanges specialising in metals.

"People in power in the republics need still to be civilised – but often they don't behave so. The difference between the republics is very great: *they are not natural* partners in many cases. I believe the Russian economic reforms (due to be announced on January 2) will make things worse."

PROSPECTS FOR THE NEW PARTNERSHIP

Union's successor an economically empty shell

By Martin Wolf

AGREEMENTS signed by 11 of the 12 Soviet republics in *Alma Ata, capital of* Kazakhstan, on December 21 formally created a Commonwealth of Independent States as *successor* to the Soviet Union. But *those agreements will do nothing* either to halt the collapse of the old Soviet economy or to replace it by workable new arrangements.

Mikhail Gorbachev may have made a poor job of eco*nomic reform, but he is likely* to prove an accurate prophet of coming economic disaster. For when he says that the Commonwealth's proponents have failed to create the mechanisms of economic co-ordination, *he is telling no more* than the truth.

The economy of the Soviet Union was in accelerating decline as the central planning system collapsed and huge budget deficits, at both the centre and republican levels, *were filled by the printing of* paper roubles.

What is needed is a new system of co-ordination, which can only be on the basis of the market, and new monetary arrangements, which can only *be on the basis of money that* has real purchasing power.

The need for both is greatly increased by the interdependent nature of the old Soviet economy, with there often being only one supplier of a *given product in the whole* huge land-mass. Russia is rela*tively self-sufficient*, with exports to other republics equal to only 18 per cent of net material product in 1988. But other republics are far more dependent on trade with one *another, and, above all, with* Russia.

Ukraine, for example, sent 39 per cent of its NMP to other republics in 1988 and Belorussia sent 69.6 per cent. For the old Soviet Union, inter-republican exports exceeded external exports by a factor of four to one.

New monetary arrangements are equally important. Until now Gosbank, the old Soviet State Bank, has simply monetised all republican deficits. In this situation it made no sense for anyone who could avoid it to offer goods for roubles, since one could obtain them for nothing.

Apart from creating both new trading relationships, *which would require market*-oriented reforms in each participant, and a new set of monetary institutions, the Commonwealth has to solve two other problems: how other republics (apart from relatively oil-rich Kazakhstan and Azerbaijan) are to pay for their imports of oil, most of which will come from Russia; and how they are to service the Soviet Union's hard currency external debt, currently estimated at over $80bn (£42.6bn).

Despite the enormous importance of these tasks, the protocols and agreements setting up the Commonwealth say nothing either about the common mechanisms of economic pol*icy or about the path to* economic reform, apart from *pledging "allegiance to the for*mation and development of a common economic space".

There is not even an agreement on a common raising of *prices*, which is planned by the Russian government for January 2. *It is self-evident*, however, that a single economic space cannot have different prices for the same commodities. So far as money is concerned, Mr Yeltsin has claimed that the rouble will remain the common currency. But the Ukraine has said that it will introduce its own currency in the middle of next year, while Belorussia has said it would introduce coupons – only *valid within Belorussia – to* replace up to 60 per cent of the value of all pay packets.

Moreover, Mr Andrei Nechayev, the Russian first deputy prime minister, said before the presidential summit Russia would move over to world prices for inter-republican *transactions in the new* year.

It would also keep republican budget deficits to a maximum of 3 per cent and interest rates high by using its effective control of the former *Union financial and banking* institutions. How other republics are to pay for the deficits that would result from world pricing of oil is far from obvi*ous*, unless Russia is prepared to be a generous creditor.

Nor is it clear how Russia will discipline the fiscal policies of the other republics, especially as none of them has a proper fiscal system and all *will have to confront* the closure of many factories and mines and the *rapidly rising* unemployment that will be the result. With the Soviet Union gone, the blame for the disaster will now fall on the republican governments.

They will have a short *period of time in which to* move to a system of workable relationships, *something that* will also require a great deal of western technical and financial assistance.

If they fail, the collapse of *their individual economies* could swiftly lead to unrest, inter-ethnic conflict and the death of the Commonwealth itself.

TAKING THE REINS OF POWER IN RUSSIA

Boris Yeltsin at centre stage left to face the music alone

By John Lloyd in Moscow

MR Boris Yeltsin enters into his kingdom, no longer haunted by the increasingly ghostly shadow of Mr Mikhail Gorbachev, *or much encum*bered with effective checks and *balances on his power*. Though he is the first ruler of Russia ever to get a mandate for his rule from the people, he succeeds to the legacy of the Soviet Union with few institutional or legislative inhibitions.

In *taking over the nuclear* button on Wednesday evening from the former Soviet president, he effectively controls the nuclear "umbrella" for all of the former Soviet Union, theoretically minus the Baltics. In insisting that Marshal Yevgeny Shaposhnikov, the former *Soviet defence minister*, remains head of the Soviet military, he *has his own man* at the top of the army. In standing at the head of a government which intends to institute radical reform from next Thursday, he has set out a course forcing other republics to follow him in raising prices – or take the consequences.

In being master of Russia, Mr Yeltsin is part-master of what was the Soviet Union. In interviews given before his resignation, Mr Mikhail Gorbachev has warned that his supplanter may not be wholly *democratic in his* approach to future problems (a remark which, though it should not have come from an unelected president about an elected one, *may nevertheless have some* truth in it).

When, at the end of October, he told the deputies of the Russian parliament he needed new powers to push through reform, he got them: for the immediate future, he need not worry overmuch about parliamentary constraints on him: he is, in the phrase that was used of the British parliamentary system, at the head of an *elective dictatorship*.

With Mr Gorbachev gone from the presidency – *though* not, as he repeated yesterday at a reception for foreign correspondents, gone from the scene – he becomes the ruler of the Kremlin. All the tensions and frustrations now *being suffered* by the people of Russia, and the drop in living *standards they are already* experiencing, will centre on *him alone*.

Though Boris Yeltsin is the first ruler of Russia ever to get a mandate for his rule from the people, he succeeds to the legacy of the Soviet Union with few institutional or legislative inhibitions

These will include - first, the rise in prices from January. Most commodities have already gone up in price, as free markets and "commercial shops" replace the bare state *shops for available food and* other goods. However, the release of most prices will plunge more sections of the community into poverty, and will *almost certainly stimulate* protest action and strikes in the worst hit areas.

Mr Yeltsin has, in the past week, reorganised the security services and the Ministry of the Interior into a formidable *force*: many *commentators* see these preparations as being made against the possibility of popular discontent.

Second, the autonomous republics in Russia are, in some cases, claiming more power and independence than Mr Yeltsin wishes them to have. He has appointed pleni*potentiaries in a number of the* Russian regions: it will not be long before their powers are tested against the powers and authorities of the local administrations – especially those, as in the republic of Tatarstan, the oil-rich region of Tyumen and areas in the Russian Far *East, where relative prosperity* has meant a deliberate loosening of the ties with *Moscow*. Mr Yeltsin has tended to encourage those who have withheld taxes and hard currency earnings from the Soviet centre: now he must ensure that they no longer disobey the *new powers in Moscow* if is to balance his budget in the first *quarter of next year, as is his* government's aim.

Third, the ethnic Russians who live outside the borders of Russia constitute a diaspora which may force him into conflict with the newly indepen*dent republics* if they are seen to suffer discrimination. Popu*list* orators such as Mr Vladimir Zhironovksy and Colonel Victor Alksnis are active in making that cause their own: Mr Yeltsin cannot afford to let *them keep it*.

Finally, he must produce signs that his policies are producing a better life. For that, he needs both foreign assistance and foreign investment: he again voiced his frustration *that little of the former* was forthcoming in a Christmas Day interview with the CNN network. To get the latter, he needs stability: to get stability, he needs economic success. Breaking into that closed circle will be a political trick more demanding than any he has taken on in the course of his extraordinary career so far.

Boris Yeltsin, Russian president, addresses the Congress of Russian People's Deputies in the Kremlin. He needs to produce signs that policies are leading to a better life

Georgia's president brings in Chechen help

GEORGIAN rebels besieging the republic's parliament to try to oust President Zviad Gamsakhurdia said yesterday the embattled leader was moving gunmen in from outside the *republic to fight for him*, Reuter reports from Tbilisi.

Mr Tengiz Kitovani, leader of the rebel National Guard, said gunmen from the Chechen-Ingush republic north of the Caucasus chain were now infiltrating the capital Tbilisi.

Mr Gamsakhurdia supported the *tiny* tribal region's independence bid in November against Russia and Mr Kitovani said they were coming to repay their debt to the president. "His friends from Checheno-Ingushetia are coming to help him," Mr Kitovani said, making his way to the base*ment of the Hotel Tbilisi* where some of his soldiers are based.

Mr Gamsakhurdia, under siege in the basement of the parliament building, denies accusations by political opponents and his own National Guard of stifling democracy.

At least 34 people have been killed in five *days of fighting* around the building.

Mr Kitovani said his men had seized an aircraft which flew into Tbilisi from the Chechen capital, Grozny, on Wednesday. Aboard were the Chechen *interior* minister and 10 armed bodyguards. Local journalists said the opposition guardsmen exchanged fire with loyalist police at the airport after the plane *had* arrived but succeeded in disarming the Chechens.

"They do not have the right to interfere in our internal affairs," Mr Kitovani added. "Gamsakhurdia is asking for help from the Chechens. Why is he asking for help from Moslems?"

Georgia, with some 5.4m people, is overwhelmingly Christian.

Japan current account surplus quadrupled

By Steven Butler in Tokyo

JAPAN'S current account surplus was up more than fourfold last month, reaching $7.26bn compared to $1.68bn a year ago. The trade account alone, which excludes invisible items such as insurance or tourism, nearly doubled to $8.65bn, compared to $4.43bn.

The sharp rises in external surpluses are proving a growing embarrassment to Japan, particularly before the visit to Tokyo of President George Bush of the US, who is to arrive on January 7.

Trade issues are likely to be a prominent element of his visit, although bilateral trade and current account balances with the US have been broadly stable, with Europe and southeast Asia shouldering the brunt of the increases.

A decision by leaders of the ruling Liberal Democratic Party in recent days to reject calls to liberalise the Japanese rice market could also sour the visit. LDP leaders have rejected out of hand a draft agreement submitted by Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, and aimed at breaking an impasse in the Uruguay Round of international trade negotiations.

The draft calls on all countries, including Japan, to drop non-tariff import barriers on agricultural items in favour of tariffs. The US has repeatedly called on Japan to end its exclusion of all rice imports. Although Japan has hinted it may allow a small volume of rice imports, it has resisted moving to a tariff system.

The sharp increase in the trade surplus arose from a 4.9 per cent increase in exports and a 14.4 per cent decline in imports. The slowdown in the Japanese economy has dampened demand for imported goods, while giving Japanese companies a stronger incentive to seek overseas markets.

Japan's long-term capital account also swung back into the black again in November, with net long-term capital imports at $381m, compared to capital exports of $2.93bn last year. The account was in deficit by $1.43bn in October, having been in the black for most of the year. Japanese net purchases of foreign bonds fell from $14.26 to $4.31bn month-on-month. Foreign purchases of Japanese securities also declined, from $14.62bn to $7.5bn.

Japan's invisible trade deficit declined from $2.48bn a year ago to $1.15bn in November. The most important factor behind the drop was an increase in income through foreign direct investment, from $1.39bn to $2.29bn.

The net deficit for travel was nearly unchanged at $1.76bn, in spite of expectations of a recovery in Japanese international travel after the Gulf War.

The persistent rises in Japan's external surpluses this year have stoked fears of increased trade friction.

The Bank of Japan, however, has argued that the increase is an aberration in a long-term trend by which Japan's trade and current account surplus are expected to decline gradually.

Bank economists argue that the large declines registered in 1989 and 1990 were distorted by Japan's easy-money policies, and that today the increases are distorted by the rise in the value of the yen and the decline in commodity prices.

Further indications of slower growth from most sectors

By Emiko Terazono in Tokyo

KEY indicators are reflecting a further slowing of the Japanese economy, and government officials acknowledged that the deceleration in growth had become evident in most sectors of the economy.

October figures for the leading diffusion index, which indicates expected economic strength for the near term, and the coincident diffusion index, a measure of current economic strength, simultaneously registered zero per cent for the first time since 1957.

The figures, out this week, are expected to increase pressure, from the government and corporations, on the Bank of Japan to ease the official discount rate. The Economic Planning Agency said that the two key measures of the country's economic strength showed that Japan was no longer "in an expansionary phase".

The cut-off line for a growing economy is at 50 per cent for both indexes. The coincident index fell from 54.5 per cent in September, while the leading index dropped from 46.2 per cent.

All 13 items which comprise the leading index – such as machinery orders, inventory-related figures, and shipments of durable goods – showed negative performances compared with those of three months earlier. The leading index fell to zero for the first time since September 1980; the coincident index last stood at zero in February 1982.

However, Mr Yasushi Mieno, Bank of Japan governor, said the slowing was gradual, and the economy was supported by steady corporate capital spending and personal consumption. Mr Mieno added that the diffusion index fluctuated frequently and, although it reflected the direction of the economy, it did not indicate the level of economic activity.

The EPA, said in a report yesterday that, while Japan's economy is slowing moderately and economic activity was at high levels, a more balanced macro-economic management was needed to stop further deterioration of business confidence.

Meanwhile, industrial output figures for November, announced yesterday, indicated that production had yet to adjust to slowing demand. Industrial output fell 0.6 per cent from a year ago, while inventories rose sharply by 11.4 per cent.

The Ministry of International Trade and Industry (Miti) said the industrial production index for mining and manufacturing industries rose 0.4 per cent month-on-month. Shipments grew by 1.2 per cent and the inventory index rose 1.2 per cent.

Miti also said the industrial output index for the full year was likely to be 2.4 per cent – the lowest growth rate since 1986, when Japanese companies were hit by a sharp appreciation of the yen.

Housing starts for November fell 19.4 per cent year-on-year, the construction ministry said yesterday. A total of 111,447 housing starts was registered last month. Starts on rental housing fell 24.6 per cent to 51,657, while houses and condominiums for sale totaled 21,012, a decline of 37.4 per cent. Owner-occupied dwellings rose 7.9 per cent to 36,141.

● Exports of motor vehicles in November rose 2.9 per cent from a year ago, the first year-on-year rise in four months, thanks to a surge of shipments to the Middle East.

According to the Japan Automobile Manufacturers' Association, 482,827 units of four-wheeled vehicles were exported last month, of which 375,817 units were passenger cars.

Although exports to the US fell 5.3 per cent and 16.9 per cent to Europe, shipments to the Middle East surged by 89.9 per cent after the sharp setback caused by the Gulf War.

Bush names businesswoman as Commerce Secretary

By George Graham in Washington

PRESIDENT George Bush yesterday named Mrs Barbara Franklin, a Washington-based management consultant, as Commerce Secretary.

Mrs Franklin, a fund-raiser for Mr Bush's political campaigns, will succeed Mr Robert Mosbacher, who is to step down in order to chair the president's re-election committee next year.

The new appointee, who worked in the White House under President Richard Nixon, heads her own consultancy firm and sits on the board of various big companies, including Aetna Life and Casualty, Dow Chemical and Black & Decker.

Trade has moved to the top of the US administration's agenda in recent weeks as Mr Bush has sought to highlight his concern for domestic economic problems, playing down the foreign policy expertise which had seemed, only a few months ago, his strongest suit for the electoral race.

The White House has tried to depict the president's foreign trips as forays to open markets for US exports and so create US jobs.

His visit next week to Japan, Australia and the Far East – postponed in a moment of panic after the Republicans had lost a Senate by-election in Pennsylvania last month – has been hastily recast as a trade mission, accompanied by Mr Mosbacher and a delegation of US businessmen.

The president even turned part of his Christmas Day televised address, which was mainly to mark the departure of President Mikhail Gorbachev and to recognise new republics in place of the old Soviet Union, into a statement of his concern over the sputtering US economy.

Warning his compatriots not to retreat into isolationism, Mr Bush said that a free and prosperous world would mean "jobs and economic growth right here at home.

"I am committed to attacking our economic problems at home with the same determination we brought to winning the Cold War," he said.

Mr Bush has been criticised for having left main foreign policy statements to his Secretary of State, Mr James Baker. The president has come under fire, not only from the opposition Democrats, but also from members of his own Republican party, such as Senator Richard Lugar of Indiana, for having been too slow to come to terms with the collapse of the Soviet Union.

● US orders for durable goods rose by 1.2 per cent to $124.7bn in November, the Commerce Department reported. The increase surprised stock market economists who had mostly been predicting a drop in new orders.

The department said strong orders for new aircraft had more than offset a drop in orders for motor vehicles.

Spanish coal miners strike for new jobs

MORE than 20,000 coal miners in northern Spain began a strike yesterday to push for new jobs in place of those phased out by a government plan to streamline the heavily subsidised industry, AP reports from Oviedo.

The strike was called by 36 union leaders who continued an underground protest in the state-owned Hunosa mine at the town of Mieres. The union leaders had locked themselves in a mine shaft on Monday.

Yesterday, police tore down barricades the miners had built across several roads and (picture right) at least one miner found himself downed and beaten after clashes with the police.

French unemployment at record high

By William Dawkins in Paris

FRENCH unemployment rose to a record 2.82m last month, 29,500 more than in October, confirming the seriousness of the embattled government's main economic headache.

This brings the unemployment rate to 9.8 per cent, well above the European average, and is partly due to the continuing job losses at many French companies, said Mrs Martine Aubry, labour minister. A sharp growth in the active population also contributed to the rate rise, she said.

The figures follow the publication of a trade surplus in November, for the second month running. This was France's first two-month surplus for five years and a lift to hopes of an export-led recovery. The FFr500m (£50.9m) trade surplus last month is compared with an unusually large FFr6.6bn surplus in October, and brings the trade deficit for the first 11 months of the year to FFr26.3bn – well below the FFr40.6bn in the equivalent period of 1990, said the finance ministry.

It estimates that the full-year deficit should fall to FFr35bn, from FFr50.1bn in 1991. Strong growth in civil industrial exports, up 5.1 per cent in the first 11 months, was led by increased sales to Germany.

France's deficit with Germany reached FFr41bn in the equivalent period last year, its largest trade shortfall with a single country, but shrank to FFr5bn in 11 months to November.

Italy, too, has been buying more French goods. France's deficit there has fallen from FFr16.6bn in all of last year to FFr9bn in the first 11 months of this. However, France's deficit with the US continues to increase, from FFr34bn in the whole of 1990 to FFr45bn in the first 11 months if this year, reflecting heavy purchases of Boeing aircraft and the brake on imports to the US caused by recession there.

The overall deficit on civil industrial sales fell to FFr43bn from FFr77bn in the first 11 months, though the surplus on sales of defence equipment also fell, to FFr14bn from FFr27bn over the same period, in line with the fall in arms sales throughout the world.

Despite their success in export markets, French companies still feel "a certain pessimism" over recovery prospects at home, said a survey by Insee, the state statistics body. However, when questioned about the outlook for their individual companies, directors expected activity to stabilise in the next few months and said the outlook was better.

● The French Government yesterday forecast a slight increase in its borrowing plans next year. It said it will issue about FFr135bn worth of OAT government bonds and FFr125bn of BTAN treasury notes in 1992, as against FFr117bn and FFr110bn of each in 1991.

Algeria voted in the opening round of its first multi-party general election yesterday, when long queues of voters formed in Algiers. President Chadli Benjedid (left) was easily recognisable at the ballot box, but two of his fellow citizens remained veiled. The main contenders were expected to be the governing FLN party and the Islamic fundamentalist FIS, among 49 parties. The second round run-offs will be on January 16.

Extradition move on Iranian

A FRENCH magistrate has started extradition proceedings for an Iranian arrested in Switzerland in connection with the murder of former Iranian prime minister Shapour Bakhtiar, France's justice ministry said yesterday, Reuter reports from Paris.

A ministry official said the first part of the extradition request for the unidentified embassy official had gone to Swiss authorities. The suspect, who has no diplomatic status, was arrested on Monday outside Iran's embassy in Berne on a warrant from Paris.

France has 15 days from the arrest to complete the request. Iran has demanded the suspect's immediate release and warned Switzerland not to hand him over to France.

A justice ministry official has said that French police, who questioned the suspect in Switzerland, believe he helped Bakhtiar's killers to escape after they stabbed the former prime minister and his secretary to death on August 6.

Korean N-talks

NORTH Korea offered various major concessions to the South in nuclear arms talks yesterday at the truce village of Panmunjom, but fell short of fully accepting unconditional international inspection of its nuclear facilities, a Seoul government spokesman said, Reuter reports from Seoul.

The North The draft put forward by North Korean negotiators contained a key clause stating it has no nuclear fuel reprocessing facilities, and pledging that it will not acquire them.

Timor killing report

Indonesian soldiers went out of control in a clash with mourners in East Timor last month and killed about 50 people, a government commission said yesterday, Reuter reports from Jakarta. The army had put the death toll at 19.

The rare public criticism of the politically powerful army, which insists it was forced to open fire on the mourners, may soothe the worries of big aid donors that Indonesia would gloss over the killings.

About 90 other people have been missing since the killings on November 12, when soldiers opened fire on a 3,500-strong crowd.

Iraqi opposition

Iraqi opposition representatives plan to meet in Damascus next week in a new effort to unify leadership of their campaign to topple President Saddam Hussein, an opposition leader said yesterday, AP reports from Damascus.

Bayan Jaber of the Supreme Assembly of the Islamic Revolution of Iraq, said representatives would seek, on January 3, to plan a "national conference" of the fragmented opposition groups. Jaber is co-ordinator of the 20-group Iraqi Opposition Committee, based in Damascus.

Indian PM starts to trim numbers in civil service

By K K Sharma in New Delhi

THE FIRST large-scale reduction of civil service jobs since India launched its economic reforms programme six months ago has been announced by Mr P.V. Narasimha Rao, prime minister.

He told the National Development Council, the country's highest economic decision-making body, that 1,000 jobs in the offices of the chief controller of imports and exports are to be abolished. Also, there would a "significant reduction" in the number of posts occupied by joint secretaries and above. A joint secretary is the third in order of seniority in all government departments.

The announcement means a large reduction in the number of senior civil servants.

The government has decided on this because its policies of deregulation have caused various redundancies in ministries and departments, particularly those responsible for economic decision-making and administration. The dismantling of a web of licences in the ministries of commerce and industries is said to have led to jobs being set for abolition.

Also, there is a need to cut government expenditure, particularly on administration, so as to trim the fiscal deficit. The government aims to reduce the deficit to 6.5 per cent of gross domestic product this year and to 5 per cent next.

Calling these "austerity measures", Mr Rao announced plans for cuts in travel expenditure. Ministers and officials have been told not to travel first class. Also, all government offices have been asked to surrender 10 per cent of their telephone connections.

A committee of senior officials will report on other ways to cut expenditure by February 29, the day the budget is to be put to parliament. The prime minister has appealed to the states to take similar measures to reduce expenditure. All chief ministers of the states are members of the National Development Council.

Reuter reports from Ludhiana: At least 47 people were killed and 40 injured yesterday when suspected Sikh militants stopped a train in Punjab and opened fire on passengers, senior officials said. Militants armed with AK-47 rifles stopped the train at Sohian in Ludhiana district, boarded two carriages and fired at passengers, a local magistrate said.

Sikh militants fighting for an independent state in Punjab killed 100 people six months ago in two attacks on trains in Ludhiana, in some of the worst violence of the decade-long insurgency.

The magistrate said witnesses had told him that four militants inside the train pulled a chain to operate the emergency brake, then stalked the carriages, apparently shooting at random at Hindu passengers, before fleeing into the night.

All but two of the victims were Hindus, he said.

BCCI man to help prosecutors

By Alan Friedman in New York

US PROSECUTORS are hoping to make further progress in their investigation of the Bank of Credit and Commerce International (BCCI) affair through a former BCCI executive who has agreed to co-operate with authorities.

The Federal Reserve Board said that, in exchange for his help, it has dropped administrative charges against Mr Khusro Elley, a former head of BCCI's New York office and a former senior executive at First American Bank of New York. He is expected to provide information in various areas, including the circumstances of BCCI's secret and illegal control of First American Bank.

The agreement with Mr Elley does not imply any admission of guilt. Last week, liquidators of BCCI pleaded guilty on the bank's behalf to fraud and racketeering charges, and agreed to turn over about $550m of the bank's US assets.

Israel to spend more on settlements

By Hugh Carnegy in Jerusalem

THE Israeli Government has promised to increase spending on Jewish settlements in the occupied West Bank and Gaza Strip next year, as part of the price for securing support from extreme right-wing factions in the governing coalition for a key budgetary vote in parliament.

Opposition parties denounced the pledge, agreed on Wednesday night. They said it could jeopardise Israel's request for US loan guarantees to back $10bn in borrowing to finance mass immigration from the former Soviet Union. The issue is to go before Congress at the end of next month.

The Bush administration has already linked the loan guarantee request, which is integral to Israel's budget planning over the next five years, to the Middle East peace process and is especially sensitive over the Israeli government's refusal to curb settlements in the occupied territories.

In a separate move, the government signalled its approval for the establishment of armed "civil guards" by Jewish settlers to protect their settlements. Palestinians fear this will lead to officially approved vigilantes operating against local Arabs.

Mr Yitzhak Shamir, prime minister, and Mr Yitzhak Moda'i, finance minister, agreed to an additional 28m shekels (£6.7m) in settlement funding, plus an increase in the building of Jewish houses in the territories by several thousand beyond the 7,500 originally planned. This was part of last-minute budget bargaining and was to ensure that Moledet and Tehiya, two extremist factions in the Likud-led coalition, voted with the government to defeat a move to scrap special budget allocations for ultra-orthodox religious parties. If the special allocations had been dropped, the religious parties would have voted against the government on the budget, threatening its downfall.

Finance ministry officials said yesterday they had yet to calculate the full cost of the late deals to the 1992 budget, which already incorporates a steep deficit and faces further hurdles before final parliamentary approval by the end of the year. However, the officials denied opposition claims the cost could run to hundreds of millions of shekels.

Yugoslavia's debt 'may not be paid'

By Laura Silber in Belgrade

THE Serb-dominated federal government of Yugoslavia yesterday warned it may not repay the country's foreign debt if the European Community recognises "in haste" the independence of the country's republics.

The government said Yugoslavia's international obligations would be called into question if the status of the republics were changed before an agreement on the share of the debt – about $16bn – and other international payments, yesterday reported Borba, the Belgrade daily.

Mr Dusan Vlatkovic, governor of the Yugoslav National Bank, said Croatia will have to pay its $2.3bn share of the Yugoslav foreign debt, and its share of the dinar-dominated federal domestic debt, if it breaks away from the federation.

Serbia has started introducing its own bank notes and inhabitants of Belgrade, the Serbian and federal capital, yesterday queued to swap their federal dinars for the new Serbian currency. The new 100, 500 and 1,000-dinar notes will be effective immediately and no longer bear the names of the six Yugoslav republics.

Mr Ivan Vujacic, a Belgrade economist, said: "In anticipation of inflation, people will now buy real goods. But, in three months, stores will be empty. The republics are financing the war by printing money. There is no concept of public debt." The rate of inflation over the past two months is about 270 per cent.

Meanwhile, although fighting appeared to ease in Croatia, the radio there said two people were killed and 15 wounded in overnight shelling at Osijek, the embattled eastern city in Croatia.

Kenya minister quits over murder probe

By Julian Ozanne in Nairobi

THE ruling Kenya African National Union (Kanu) appeared to be in deeper disarray yesterday as one of the most influential members of the government explained his resignation from the cabinet.

Mr Mwai Kibaki, one of the most powerful and long-serving government members and a prominent member of the influential Kikuyu tribe, said in a letter to President Daniel arap Moi yesterday he had quit as health minister over Mr Moi's decision to halt an inquiry into the murder of a former foreign minister, and over evidence of election-rigging by Kanu.

Mr Kibaki's resignation on Wednesday, after more than 20 years in the cabinet, has further highlighted the failure of Kanu to reform the party to gain broad support among Kenya's tribes before the first multi-party general election since 1963, expected next year.

Political observers now believe Kanu has become a victim to a handful of conservative hawks and is facing the possibility of electoral defeat by the new opposition party, the Forum for the Restoration of Democracy (Ford).

Mr Kibaki's resignation came four days after Mr Peter Aloo Aringo, a political heavyweight from the Luo tribe, one of Kenya's largest, was sacked by Mr Moi from his ministerial post. Both out-going men had been calling for a thorough reform of Kanu, including new party elections to produce better and more representative leaders.

It is still unclear whether Mr Aringo and Mr Kibaki will defect from Kanu to Ford.

Kenyan politics are based on tenacious tribal loyalty and there are many predictions that the elections will be determined by how the parties build a tribal coalition.

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BRITAIN IN BRIEF

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TO: THE ARMY BEN

EC regional funds at risk warns Labour

By Ivo Dawnay, Political Correspondent

LABOUR yesterday warned that the UK could lose £500m in European Community regional funding if a long wrangle with Brussels over how the money is distributed is not resolved rapidly.

The so-called "additionality" row has already put Mr Michael Heseltine, the environment secretary, in conflict with colleagues over how Britain responds to Community demands for more transparency as to how funding is passed on.

Yesterday, Mr Gordon Brown, Labour's trade spokesman called on Mr John Major, the prime minister, to force his ministers to reach an acceptable compromise, warning that failure to do so would risk losing the extra resources.

So far, some £109m in Rechar funds – EC money aimed at helping redundant coal mining communities diversify – has been held up in the dispute. The EC says Britain must supply details showing that the cash is reaching its targets, hinting that the UK is not abiding by rules requiring it to be used "in addition" to national programmes and not in place of them.

Earlier this month Mr Brown revealed a letter from Mr Heseltine to Mr Norman Lamont, chancellor of the exchequer, and Mr Peter Lilley, trade secretary, urging that the government accepts the EC's requirements. Now, he says £500m in regional funding could also be at risk.

In a letter to the prime minister, he argues that Mr Major "must either repudiate Mr Heseltine's remarks or give in over the Rechar issue and end the unacceptable delays now causing increasing anger in mining communities."

Trade and treasury officials have argued, however, that recently revised terms for the distribution of regional funding do not apply to Britain as it was not a beneficiary of the increased grants.

Teachers resigning because of poor morale says survey

By Diane Summers, Labour Staff

POOR MORALE is leading one in 10 teachers to resign, with the majority opting for new careers, early retirement, or leaving because of ill-health, according to a survey of more than 400 schools published today

Just two out of five of those who resigned went to other jobs in state schools, found the study of teacher resignations during 1989. Teaching qualifications were not found to be attractive to employers in other sectors: almost half of the ex-teachers who took up new work became self-employed.

The report's authors, Dr Pamela Robinson and Professor Alan Smithers of Manchester University School of Education, warned that, although more people were now choosing to become teachers, action was needed to ensure they remained in the profession once the recession lifted and the jobs market improved.

Poor teacher morale is blamed in the study on overwork, low pay, discipline problems with children and a lack of public appreciation.

Over a third of vacant teaching posts attracted three or fewer applicants during the year, found the report. In the south-east of England nearly two-thirds of posts attracted three or fewer applicants because of high property prices.

Research by Professor Smithers published in the summer found that two-fifths of head teachers believed their schools were under-staffed and a quarter were able to fill vacancies only with "great difficulty" last year.

Last month a survey of 800 schools jointly carried out by six teaching unions, found that teacher turnover had increased markedly in the past three years, especially in London. It found that only 46 per cent of primary and 56 per cent of secondary teachers had been at their schools for five years or more.

Lloyd's syndicates in reinsurance deal

By Richard Lapper

THREE SYNDICATES at Lloyd's of London, the insurance market, have struck one of the largest contracts with an overseas party for reinsurance.

The syndicates managed by Merrett group, one of the biggest agencies at Lloyd's of London insurance market, paid $75m (£40.96m) to reinsure a slice of US liability exposures with Centre Re, a subsidiary of Zurich, the Swiss insurer.

The contract illustrates the increasing importance for Lloyd's of the capital strength which is provided by international insurers and reinsurers.

Over the past 15 years Lloyd's syndicates have provided a substantial proportion of reinsurance needs for each other. However, as Lloyd's capacity declines so more syndicates are looking to link up with overseas companies. Capacity at Lloyd's is expected to fall to under £10bn in 1992 compared with £11.4bn in 1991.

Mr Dennis Purkiss, chief executive of Merrett Group, and an architect of the Centre Re deal, said: "We are kidding ourselves if we remain isolated. We need access to this sort of market in order to compete."

The deal is the most ambitious of a type of reinsurance contract which is becoming increasingly popular with Lloyd's syndicates. It is termed financial reinsurance or finite risk reinsurance.

The premiums paid under such contracts are much higher than would be payable in most reinsurance transactions, reflecting the certainty of both parties that claims will emerge. Names on three Merrett syndicates – 1066, 1067 and 1068 – are covered for liability insurance claims of between $150m and $237m that are expected to emerge over the next 10 to 20 years.

In technical terms the policy is an aggregate excess of loss cover which means it comes into effect over and above the reserves already established by Merrett with its reinsurance to close – the standard mechanism by which a Lloyd's syndicate reinsures exposures arising from one year into a subsequent year.

The three syndicates have inherited the exposures of syndicate 799 – one of the biggest syndicates at Lloyd's with over 5,000 Names and £220m in premium capacity – which was divided following the retirement of underwriter Mr Robin Jackson in 1988. Syndicate 799 was one of the leading underwriters of US liability business, and its successors carry a heavy exposure to claims arising from pollution and asbestosis.

Such business is described as long-tail since the claims often emerge many years after the inception of a policy.

Mr Purkiss says that members' agents, who handle the affairs of Names and channel them to particular syndicates, have been warning about the dangers of joining syndicates carrying exposures to US liability claims. "Names are scared stiff of the tails," says Mr Purkiss.

The development also reflects the increasing importance of reinsurers outside the Lloyd's market for Lloyd's syndicates.

Via its newly acquired Pinnacle subsidiary Zurich also underwrites a large part – perhaps as much as a third – of another type of financial reinsurance policy – the time and distance policy.

T&D policies, which have been increasingly common at Lloyd's since the mid-1980s, respond to claims only at the end of a set period.

This is in contrast to the new contract agreed by Merrett which will pay as and when claims emerge.

Life continues amid onslaught of terrorism

Firebomb blitz shows no sign of ceasing writes our Belfast correspondent

LIFE in Northern Ireland this year has ended as it began – with a concerted IRA firebomb blitz which has cost the economy tens of millions of pounds and hundreds of jobs.

A moratorium on public spending projects in the province until next April underlines the seriousness of the terrorist onslaught. The money is needed to compensate business owners blasted out of existence.

Hardly a week has gone by without a serious incident recently. An attack on a hospital, a bomb inside a jail, a baby shot, loyalist grenade attack on fans attending a football match – all incidents which have appalled a community hardened by over 20 years of violence. Police believe well over 200 firebombs have been used in the campaign against economic targets this year.

Compact and easily-hidden, they can be planted by relatively inexperienced terrorists. They are usually placed during busy mid-afternoon shopping hours and timed to explode after closing.

Security forces are working on the theory that the devices are being partly produced in bulk in the Republic of Ireland and smuggled into Northern Ireland and Britain where they are finally assembled.

Over the past month the Royal Ulster Constabulary has blocked off dozens of main roads leading to Belfast city centre. The measures have affected commercial life and led to lengthy traffic disruption, but have been generally welcomed by the community.

However the bombs are still getting through. Last week the Royal Courts of Justice, one of the best guarded buildings in the province, was rocked by another huge IRA device.

Already 94 people have been killed in the province this year, the worst casualty toll since 1982. Five people were killed at the weekend. The terrorist situation has been exacerbated this year because loyalists have significantly stepped up their activities and are operating on virtually the same level as the IRA. There have been appeals for local politicians to get back to the negotiating table. But few are pinning their hopes on such a scenario ending the bloodshed.

Casualty figures for Northern Ireland

Source: RUC Headquarters

Export licence list is published

By Ralph Atkins

THE government has responded to concern over past failures in controlling the export of goods with military uses, particularly to Iraq, by publishing for the first time a list of sensitive destinations subject to extra scrutiny.

Applications for export licences to countries on the list are given "special consideration," Mr Tim Sainsbury, trade minister, has told MPs. The 33 destinations include Iran, Israel, Czechoslovakia, Argentina as well as Iraq.

The list has been drawn up by the Department of Trade and Industry after taking into account strategic concerns and fears about proliferation.

Other criteria included the risk of goods being re-exported to a subsequent destination without proper export control, Mr Sainsbury said in reply to a parliamentary question.

The inclusion of a destination on the list, which is reviewed regularly, does not preclude the granting of an export licence.

The low-profile announcement follows widespread alarm at the failure of the export control division at the DTI to stop British companies exporting goods which have since been discovered to have been used for military purposes.

BRITAIN IN BRIEF

UK bullion trade blocks metric scheme

The UK has fought off a move to bring the bullion trade into the metric system. The European Commission, as part of its harmonisation policy, had been pressing for all measurement to be in metric units. Germany suggested it would be logical to move the bullion business away from troy weight measurements. The Bank of England and the London Bullion Market Association argued that the rest of the world mainly uses troy ounces when pricing bullion, and that a change to the metric system would put London, a premier gold centre, at a disadvantage.

Land owners face new costs

Owners of land contaminated by pollution could face clean-up costs of between £100,000 and £1m an acre under regulations to be enforced in the new year, according to a report. Companies could be liable for the cost of clearing the effects of "noxious gases or liquids" even if the pollution occured many years ago and they were not responsible.

Insurer to stay with UTA

Sun Alliance, the insurance company, has decided to remain within the Unit Trust Association after a meeting with Mr Barry Bateman, chairman and Mr Philip Warland, director-general of the UTA. Several life insurance companies have resigned from the UTA after the Association attacked the industry's sales methods in a submission to the Securities and Investments Board. While Sun Alliance said it was "extremely concerned" about the submission, it added that the UTA had undertaken to review its consultative processes to ensure that its members' views are properly represented. Mr Bateman is planning to meet life company members in the New Year.

Wage councils agree rates

The two Wages Councils for the retail trade, which set minimum rates for more than 1m workers, have agreed separate rises close to the rate of inflation for 1992 but only after an unusually bitter dispute in the non-food retail council. According to the latest report from Incomes Data Services the food and allied trades retail council agreed to increase the minimum hourly rate by 4.2 per cent and the non-food council by only 3.7 per cent. Last year both councils increased rates by 10 per cent.

The non-food retail sector has struggled in the recession and the employers initially proposed no increase for 1992. After long discussion the workers side of the council proposed a 4.2 per cent rise against the employers side 3.7 per cent.

Nurseries go private

A third of all workplace nurseries are now run by private contractors, according to the latest report from the Working for Childcare group. However the group also found that the growth of nursery contractors of the late eighties has been hit by the recession and at least 48 childcare consultancies have closed in the last two years. To assist in the growth of "contracting-out" of nursery care Working for Childcare has just published a guide to "Contracting and tendering for quality childcare".

TUC attacks government

The government is accused today by the TUC of exaggerating employers' enthusiasm for further industrial relations reform. An analysis of the views of the five principal employers' organisations shows that none of the government's main proposals for labour laws received universal welcome, the TUC says in a briefing being circulated to unions today. The main proposals, put forward in July, were to make collective agreements legally binding, to require seven days' notice of strike action, to require postal ballots on strikes, to widen choice on which union workers may join, and to require employees to give annual permission for check-off payments.

Money for Welsh housing

The government is putting more money into developing housing schemes in rural Wales, and is speeding up disposal of houses owned by the Development Board for Rural Wales, the body set up in 1977 to rejuvenate the economy. The board owns over 1,200 houses, mostly in Newtown, the "capital" of the area, which has seen several new companies arrive over the past 15 years. The government proposes that these houses be transferred to housing associations, bodies set up by the tenants or housing authorities.

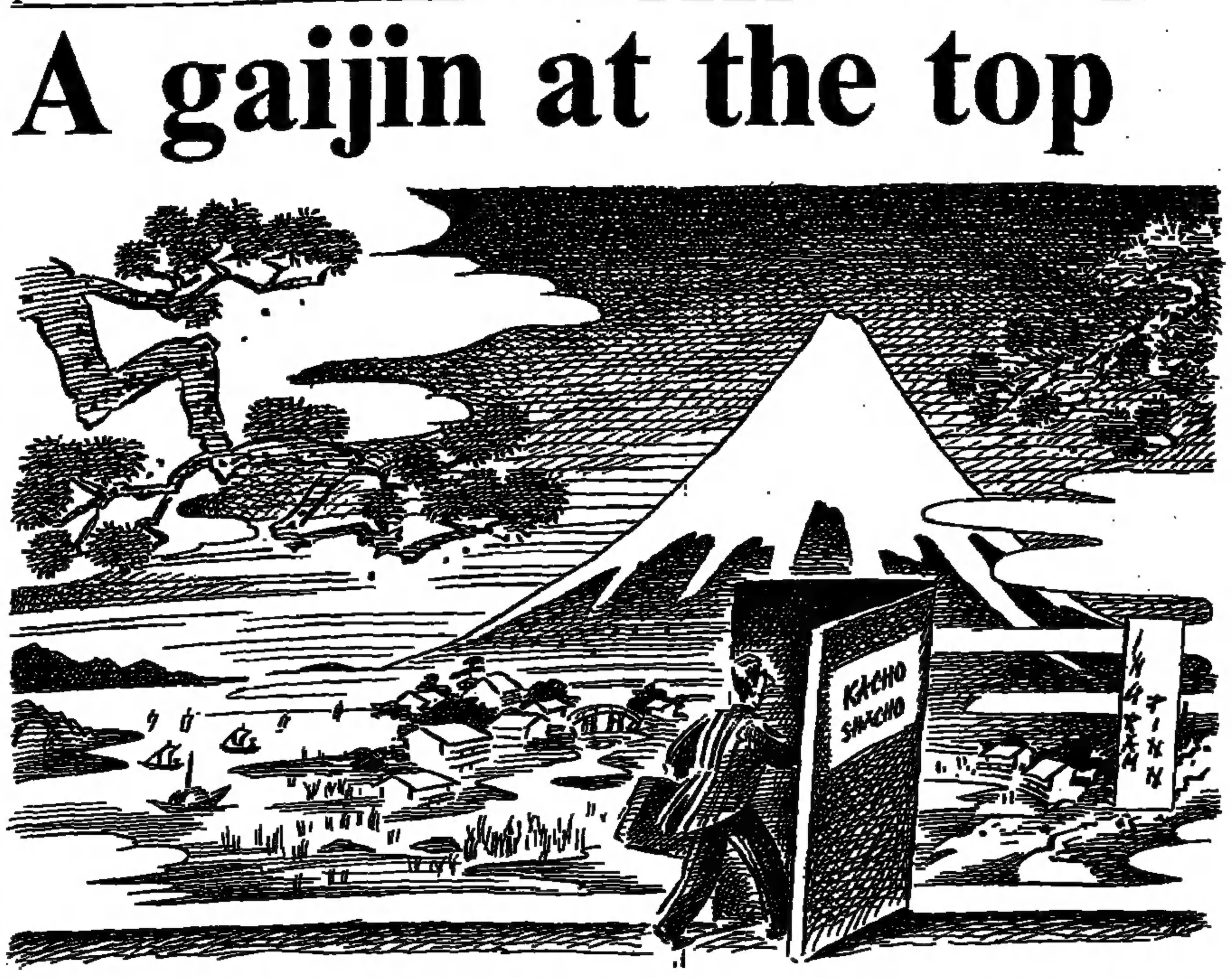
Setback for Heathrow shops

Heathrow Airport's efforts to recruit well-known retailers for Terminal Three has suffered a setback this week with the withdrawal of Marks and Spencer. The clothing and food retailer, which was intending to set up a 30,000 sq ft store, considered it had not been allocated enough air-side space.

MANAGEMENT

Ian Wylie spent three years as the head of a company in Japan. He points out the pitfalls to unsuspecting westerners heading east.

A gaijin at the top



Although there are around 8,000 foreign executives in Japan, there are not many lone foreigners at the top.

In 1988, I was appointed head of the Japanese subsidiary of Croda International, the chemicals group, where I was charged with setting up a management team, modernising the plant, and improving the marketing effort.

I found myself in an unusual position. As a business foreigner *(gaijin)*, I was treated with great courtesy and hospitality, but kept somewhat at arms-length.

However, as the sole non-Japanese, I had to perform a dual role. As chairman *(kacho)* – the organisation's face to the outside world – I was treated respectfully. But as president *(shacho)* – the hands-on business leader – I was subjected to the cut and thrust of the market, which often broke through with a surprising directness.

One day I might be expected to officiate at a director's funeral, giving the Japanese oration and greeting 300 mourning-clad guests with great formality and courtesy. The next, I could be visiting one of the funeral guests, a customer, and expressing abject apologies under a flow of abuse for supplying a very modestly (at least, in western eyes) substandard product.

I could be making the lead speech at the traditional family wedding of an employee, with women in elaborate kimonos and men in morning dress, and later, as MD, have to approve the probation or dismissal of the same employee.

In my three years with Croda Japan, I found that much of the conventional wisdom about Japanese work practice is not true – or not altogether true.

Japanese employees are often regarded as docile and regimented, but in fact have widely diverse attitudes and abilities, so that personnel management is just as demanding and rewarding there as elsewhere.

Neither is it true that in Japan a job is for life. While lifetime employment is the goal, it is not so common in smaller companies – like Croda – which are closer to the harsh reality of the market. Management is responsible for ensuring the best job "fit" for an employee, and the commitment is returned in loyalty and effort by the worker who is then accepted as a team member.

I found that Japanese workers do conform, but through a subtle system of management and peer pressure, rather than by force. Too much opposition from any employee results in ostracism and, finally, even resignation. Dismissal is the ultimate sanction, but is regarded as failure by all parties, and is avoided by natural wastage or by giving employees new assignments. This means long-term personnel planning, but is more socially acceptable and maintains group loyalty. This way, Croda escaped the trauma associated with redundancies that many western companies have had to bear.

Women's role in business, though changing, is still controversial, with only the best able to advance, and usually trading a family life for preferment. Most settle for junior positions before marriage, or take on part-time work later in life. Croda appointed a woman as senior manager, based on ability, and is likely to have a woman director in due course.

One thing I found particularly challenging was the need to offer continually improved benefits to the staff. Annual pay increments of several points above inflation have become the norm in Japan, which means a continuous drive to improve productivity and introduce new or modified products.

What about price increases? In the UK, just holding prices for a 6 month period is thought virtuous, while the Japanese expect a price reduction when an item has been produced for a year, due to increased efficiency and better use of raw material. Competitive pressure forces the supplier to comply, but makes annual productivity pay increases a demanding, though positive management discipline.

Some of the clichés about doing business in Japan are resoundingly accurate, meanwhile. It is true that the Japanese customer is king and demands service of a high level. This can result in over-engineering and unnecessary frills but is a commercial fact of life that can catch out the unsuspecting foreigner.

As a leading supplier of a particular vegetable-origin product, Croda regularly shipped a bagged, white powder from the UK. Some 90 per cent of the bags in one shipment were marked and labelled in the same colour and style, while the rest carried the same information in a different style, since the original bags had run out. The Japanese customer rejected the shipment: if the bags could not be quality controlled, how did he know if the contents met his tight specifications?

The Japanese consensus approach is not always fully understood. Their famous long meetings differ from those in the west. All present from the president to the newest recruit have the same right of contribution and can be equally criticised. While seeming long-winded and repetitive, general familiarity with the topic leads eventually to consensus followed by concerted action.

For example, when Croda decided to upgrade one of its specialised production processes, the design stage involved frequent meetings, often lasting late into the evening, with every aspect investigated within the cost and quality parameters.

This took considerably longer than in the west, but when the final design was installed, it worked from the outset with up to 40 per cent productivity gain. For those of us used to a three to six month "teething" period, this came as a pleasant surprise.

Cross-cultural communication is a key expat manager function and pitfalls are legion. A simple example is found in a soft drink – Pocari Sweat. The name in Japan conveys a positive, healthy, thirst-quenching image making it a top seller. The connotation of sweat as a soft drink name is somewhat less appealing to the western consumer.

The concept of "efficiency" can also cause problems: it is usually related in the west to the best use of time, whereas the Japanese interpretation is more of final effectiveness.

In Japan, customers expect suppliers to be able to answer a long series of questions about the product without any delay. We found that heavily manned local competition can smother the client with instant response 16 hours a day. By contrast, a foreign principal will likely save the queries until all answers are available, then reply in one "efficient" shot during an eight-hour working day. Misunderstanding, frustration and lost business can result.

The stable base which underpins this highly dynamic, successful market is provided by relationships. The tightly woven matrix of cross-shareholdings, inter-company networks and employee teamwork is maintained and nourished by company leaders. Although quality, service, price, stability and continuity are all critical, without strong relationships, a business will not survive.

Above all, producers need stable sources of supply. Unfortunately, non-Japanese suppliers still have problems to overcome. They are perceived to offer fluctuating quality, unreliable service, price and currency risk, product redundancy and instability. "Short termism" and frequent ownership changes are seen to reflect the culture of western financial markets, and conflict with Japanese business' long-term outlook.

While foreign products and ownership have become much more accepted, old attitudes run deep and die hard, emphasising the importance of developing long-term relations, with a strong preference for local production.

Of course, putting all this into practice can be easier said than done. However Croda found that by adopting Japanese-style long-term programmes and involving employees at all levels, substantial business benefits could be obtained.

Christopher Lorenz

A plague on all your faxes

NEW YEAR'S resolutions tend to be two-day wonders, lasting little longer than a festive hangover.

But here's a resolution for 1992 that deserves to stick: put yourself on a fax diet.

The arrival of the ubiquitous facsimile transmission machine, as it used to be called, was supposed to be a boon, both in the office and at home. But it is fast becoming the bane of many people's lives. It certainly is of mine.

In the office, scarcely a day passes without a flood of supposedly urgent fax messages. Unlike the crisp, clearly-headed letters whose place they usurp, they are smudgy, uniformly grey and hard to tell apart. They curl at the edges, slip on to the floor, fade if exposed to sunlight, and crumple when filed.

Most maddening of all, these often interminable missives are hardly ever pressing. Except for those from Australia, Italy, eastern Europe or South America, the vast majority could easily have been posted by mail.

Within Britain, most would have arrived the next day, adorned by those colourful corporate letter-heads and logos which were designed to be distinctive - not to be greyed into anonymity by some crude machine. Even from America they would have arrived within about five days, which is plenty of time for most written communications.

As it is, Americans are peculiarly prone to sending a fax (or five) when a letter would do. Worst of all are those technology-mad US companies which transmit their faxes automatically, by computer. On one occasion this year my fax was bunged up for hours as I received, five times over, the first nine sheets of a 10-page fax, simply because the line kept breaking down on the 10th page. There was no way of switching off the repeat transmissions. I sympathised strongly with the over-taxed line.

So why this lemming-like use of the fax?

At certain times of day it can actually be cheaper than sending a letter, especially when one takes the cost of saved envelopes into account. In effect, faxes shunt part of the stationery cost on to the recipient: for the private user, decent fax paper can cost £6 a roll.

Faxes obviously offer a cost-effective way of speeding genuinely urgent communications to their destination - like a modern version of the telegram, but much less expensive than a courier. The provision of automatic answer-back codes also gives useful, if not fail-safe, evidence that one's communication has arrived.

But for most of us, the fax machine panders to our innate laziness. It is far easier to sling a letter or a memo on to the machine than to go through the laborious process of putting the missive in an envelope, writing the address for a second time, sticking on a stamp, and then posting it.

The most pernicious factors, however, are our instinct for spurious immediacy and our wish to impress.

The urge to get letters or memos off our hands, and rush them into those of the recipients by leap-frogging their incoming mail, is understandable but usually misguided. When the seventh fax of the day turns out to be even less urgent than the first six, any busy person is bound to suffer a crescendo of annoyance.

For my part, I've decided that the only remedy is to tell the world that, from New Year's Day, I am unleashing a plague on all your faxes. Any which is not really urgent, and any of more than a page, will be placed at the very bottom of my "pending" tray. There it will join all those letters from attention-seeking public relations consultants marked "private and confidential".

Unassuming letters, on the other hand, will be answered very much first and foremost.

As for faxes sent to my home, I should warn you that anything longer than a page already ends up in an untidy roll on the floor. From now on, my vicious but obedient dog will be under strict orders to shred it.

ARTS

All change on the opera front

Max Loppert looks back on a year when British opera seemed to be in an uparalleled state of flux

This was the year of departures and arrivals, the year when all the main British opera companies released news of changes at the highest levels of management. There was something altogether extraordinary about the situation – whether coincidental or not, the monthly roll-call of momentous resignations and appointments added up to a picture of British opera in an unparalleled state of flux.

It may be helpful to remind readers exactly who went out and who came in. This, in chronological order, was the way it happened:

English National Opera announces the departure of its General Director, Peter Jonas, when his contract expires at the end of the 1992-93 season (at which point he takes over as GD of the Bavarian State Opera, Munich). Shortly afterwards it is announced that the company's Music Director, Mark Elder, and Director of Productions, David Pountney, will be leaving at the same time. The Welsh National Opera's Music Director, Charles Mackerras, plans to relinquish his post in July 1992; Carlo Rizzi is named his successor.

The WNO Managing Director, Brian McMaster, announces his departure (in the autumn he takes over from Frank Dunlop as Director of the Edinburgh Festival). In June the Scottish Opera Managing Director, Richard Mantle, leaves office in great haste (leaks after the event suggest that Mr Mantle's departure has been engineered, in circumstances that do the chairman of the company and his board little credit). The Royal Opera's Principal Conductor, Jeffrey Tate, asks to be released from duties; Edward Downes steps in as Associate Music Director and Principal Conductor.

The Royal Opera announces that the Opera Director, Paul Findlay, will not be renewing his contract in July 1993. Matthew Epstein, Vice President of and Special Consultant to the American artists' agency Columbia Artists Management, is named McMaster's successor at WNO (and takes office almost immediately, while continuing his professional association with CAMI, not to mention those already forged with the opera houses of San Francisco, Chicago and Amsterdam – all of this becomes a source of some controversy).

Alastair Muir

Birtwistle's 'Gawain', the premiere of which at the Royal Opera House was the highlight of the year

Nicholas Payne, General Administrator of Opera North, succeeds Findlay as Covent Garden Opera Director. Dennis Marks, head of music programmes for BBC Television, succeeds Peter Jonas at ENO. Richard Jarman, previously Managing Director of English National Ballet, steps into the empty post of Scottish Opera Managing Director. Sian Edwards follows Mark Elder as ENO Music Director. Only the successors of Pountney at ENO and Payne at Opera North are still to be appointed.

Change, even when the formula and personnel being changed are models of proven success, is never in itself a bad thing. "Tutto declina" sings Falstaff – but only after being dunked in the Thames and before being cheered up by a glass of wine.

Are there larger patterns to be drawn out of this amazing sequence? Probably not. It was inevitable that some of the longer-serving operatic officers – such as McMaster at WNO, in many ways the bringer of radical opera-production to Britain – would move on, eventually. Inevitable too that sooner or later the ENO partnership of Elder, Pountney and (after the retirement in 1983 of Lord Harewood) Jonas, which will surely come to seen as one of the most stimulating and purposeful in British operatic history, would have to end.

And among the list of arrivals there are names that immediately spell good news. Covent Garden seems to have the best of them. Downes, owner of the one of the world's safest pair of operatic hands, started his career at the house nearly 40 years ago; his return to a fixed appointment there is a cause for cheering.

Nicholas Payne is another formidable Royal Opera acquisition – and, therefore, a formidable Opera North loss. He is a man of enormous knowledge and experience in all the departments of opera (including production – does anyone remember his 1972 Oxford student-staging of the two Gluck *Iphigénie* operas?).

His decade at Opera North has been one of steady development, brilliant repertory co-ordination (in spite of continuous budgetary agonies) and a series of sparkling artistic coups. Among the latter, this year alone, have been *The Jewel Box*, the novel, sophisticated, highly diverting Mozartian pasticcio devised by the critic Paul Griffiths; and the first British production of Chabrier's *L'Etoile*, an event that had me, and other Leeds audience-members, whooping with delight. Hopes must be high that he will bring to Royal Opera planning the intellectual coherence and rigour it has so long lacked. Payne is well placed to aid Jeremy Isaacs in confronting head-on all the storms and tempests that currently assail the house.

Otherwise, however, it is (in the words of an editorial in the November issue of *Opera*) "curious that the remaining appointees should not be exactly central to the operatic world – a television man, a dance man, and an agent. Mr Epstein apart, possible candidates from Europe or the US – not to mention some in the UK – would probably have seen just how far traditional funding structures had been eroded over the past ten years and politely changed the subject if approached. None of the companies is funded at the level necessary to do the job required, and there is little prospect of change in that direction in the foreseeable future".

(Apropos, the government's recent, much-touted increase in Arts Council money, welcome though it is, will do little to address that erosion. Those commentators who muttered darkly about the recipient arts-companies' lack of "gratitude" in the face of this supposed windfall might have done better to examine the whole situation in depth before letting loose their familiar cries of "whingeing". The threat of production cancellation, not to mention the prospect of other even more serious reductions in the performance schedule, continue to hover over the schedules of all the opera companies – and, in the case of the long-awaited 1992 Scottish Opera *Tristan*, the threat has recently become a disgraceful reality.)

One would not dream of playing the part of Carabosse at the christening of these opera-managment Auroras; one wishes them all equal amounts of luck. The case of the ENO seems particularly ticklish. It is, of course, far too soon to know whether the "clean-sweep" departure plans of the current team will come to be reckoned a dazzlingly bold decision or (as I must admit to fearing) a reckless piece of rashness.

Ditto the appointment of a ENO General Director wholly untried in live (as distinct from screened) opera and a Music Director of bounteous conducting promise but – relative to the requirements of the job – almost total inexperience. (Those conductors most long-lastingly successful in the opera-house driving seat have generally worked their way up there from the humblest musical posts; the names of Solti at Covent Garden, Pritchard at Glyndebourne, Mackerras and Elder at ENO, and Levine at the New York Met spring to mind.)

For the ENO, fingers will need to be kept particularly tightly crossed.

Meanwhile, how did those same companies do in 1991? At Covent Garden, hits seemed fewer and flops more numerous than the previous year. Among the latter I must class the ill-conceived new *Capriccio*, a limply tepid affair dolled up in glam but fatally untheatrical Versace clothes; the brainlessly picturesque, musically undistinguished new *Carmen*; and – fresh, alas, in all our minds – *Les Huguenots*, borrowed from Berlin, a tired, toshy piece of "relevant" operatic updating sadly under-conducted by David Atherton. (The fact that earlier the same year Mr Atherton was musically responsible for two of the Coliseum's finest offerings, the new production of *Peter Grimes* and revival of *Billy Budd*, only adds to the sadness.)

At the head of the former, and, indeed, at the forefront of my own most significant operatic experiences of 1991, must stand the premiere of Birtwistle's *Gawain* – a fiercely uncompromising work tackled with love, devotion, and appropriately fierce commitment by François Le Roux and John Tomlinson at the head of an excellent cast, Elgar Howarth as conductor and Di Trevis as producer.

My belief is that *Gawain* will find its place alongside Tippett's *Midsummer Marriage* and *King Priam*, both of them likewise Covent Garden "firsts", as a 20th-century opera that extends and renews the whole form. Others believe differently; but then, very few new opera of substance have ever been unanimously acclaimed on first appearance. At the very least, *Gawain* was an achievement in which the Royal Opera could take justifiable pride.

Something similar could be said of the new *Simon Boccanegra*, produced by Elijah Moshinsky, conducted by Georg Solti, and with a cast led by noble baritone Alexandru Agache and Kiri Te Kanawa (making amends for her wan *Capriccio* Countess). The staging, not self-advertisingly Conceptual, was never lacking in cool intelligence; the combination of musicianly and dramatic sobriety was peculiarly apt to the work's greatness. *Mitridate*, the Royal Opera salute to the Mozart bicentenary, was a delight – visually, vocally, and in the way that the mounting of an opera seria by a 14-year-old (albeit of genius) afforded pleasure beyond the highest expectation.

The house's conducting strengths were exemplified in Bernard Haitink's first-ever complete *Ring* cycles. The production itself was another clapped-out borrowing from Berlin, and the cast, led by James Morris's vocally magisterial, dramatically bland Wotan, sound rather than inspiring (apart from the Siegmund of Poul Elming, a notable newcomer); so the power of Haitink's Wagnerian music-making was crucial, and heroically sustained.

The long-delayed return of Gennady Rozhdestvensky proved wonderfully rewarding; *Boris Godunov*, the opera he conducted here 21 years previously, was revived with Paata Burchuladze thunderous in the title role, and was utterly enthralling. Among the other 1991 singers, the 63-year-old Alfredo Kraus (in *Hoffmann*), Mara Zampieri (in *Fanciulla del West*), Richard Leech (single truly bright spark of the dim *Huguenots*), and the entire *Mitridate* team – Ford, Murray, Kenny, Kowalski, Watson, Power, Fugelle – will be remembered with particular gratitude: "international" performers lending seriousness to the whole preposterous business of international opera.

The ENO ended in June its brave 1990-91 season of 20th-century opera – a season critically garlanded, financially fraught with danger. The closing contributions to the *20-plus* programme were the highlights: the new *Grimes*, an uncosy, un-"English", profoundly unsettling staging by Tim Albery, with Philip Langridge and Josephine Barstow; and a shattering revival of *Lady Macbeth of Mtsensk*, perhaps Barstow's supreme achievement in a career already crowded with glories. In September, the 1988 Albery production of *Billy Budd* returned as a postlude to *20-plus*, and Langridge gave as Captain Vere the performance of his life – as did, one felt, everyone else on stage and in the orchestra.

Willard White as Wotan for Scottish Opera

It is quintessential ENO company shows of this sort that make one nervous for the future. The kind may change; the level of corporate excellence cannot afford to be lost. In the current season's programme, filled as it is with "safe" repertory choices to balance the economic risks of '90-91, the point has again been underlined by the *Masked Ball* revival, a darkly arresting David Alden production charged with its own highly individual theatrical intensity; and by the beautifully lean, restrained new *Figaro* produced by Graham Vick, with its witty Jeremy Sams translation and clean, unforced performances from Joan Rodgers, Anthony Michaels-Moore and Bryn Terfel.

There was also the horrible new ENO *Fledermaus*, a grotesquely over-egged pudding in which stylish acting and singing were the main casualties. Comedy demanding observation of character and situation is, I guess, the Achilles-heel area of the producer, Richard Jones. The contrast with the Jones approach to Tchaikovsky's *Mazeppa* at this year's Bregenz Festival and then the second instalment of his Scottish Opera *Ring* could not have been more marked.

For these are two of the most remarkable feats of modern opera production – eye- and ear-focusing, simple in their devices, colourful in their stage properties, revelatory in their stylistic ellipses. Any producer able to draw out such magnificently concentrated, sustained singing-acting performances as Sergey Leiferkus's Mazeppa and Willard White *Walküre* Wotan is no mere visual-tricks merchant. Mr Jones's right to do whatever he likes must be defended to the death; but how incomprehensibly vast the gulf between his successes and his failures!

Mozart was, of course, everywhere in 1991. The Covent Garden *Mitridate*, ENO *Figaro* and Opera North *Jewel Box* have been mentioned; to the list of noteworthy Mozart events should be added the WNO *Idomeneo*, a highly skilful collaboration between Howard Davies as producer and Charles Mackerras as conductor that I found deterringly self-conscious and arty. Glyndebourne devoted the whole of its festival schedule to Mozart-worship – four revivals (including surely the last-ever appearance of Peter Sellars's irredeemable *Magic Flute*), two new productions. Trevor Nunn's joke-encrusted *Dames at Sea* version of *Così* was a cruel disappointment, though there was fair compensation Simon Rattle's keen conducting of a period-instruments band. My admiration for the severe new *Clemenza di Tito* production by Nicholas Hytner designed by David Fielding was unmixed, though not universally shared. The standard-bearers of Glyndebourne Mozart singing included Keith Lewis and Carol Vaness (in *Idomeneo*), Diana Montague and Martine Mahé (in *Tito*), and Kurt Streit (in *Così*).

It was a good year for new, recent and out-of-the-way operas. I went to Houston for *Atlas*, the zany, magical, entirely *sui generis* opera by the performance artist Meredith Monk, and to Brussels for the keenly awaited unveiling of *The Death of Klinghoffer* by the *Nixon in China* team of John Adams (music) and Alice Goodman (libretto): imposing of facade, hollow-centred.

Scottish Opera undertook the first British showing of Marc Blitzstein's uneven but musically fascinating *Regina* (1946-8). The brilliant City of Birmingham Touring Opera revival of Stephen Oliver's 1984 *Beauty and the Beast*, an expertly finished piece of lyric-theatre entertainment, increased my already considerable sadness that *Timon of Athens*, Oliver's big new piece for ENO, should have so comprehensively missed its mark.

For Opera North Robert Saxton collaborated with Arnold Wesker on the chamber-opera *Caritas*, based on the Wesker play. This is a first opera whose distinctive qualities bode very well for future Saxton ventures. By the side of *Gawain* its flame was, inevitably, small, but not the less true for all that. A year that brought to birth two new works of their calibre ends – after all – with hope.

Opera North's wonderful production of Chabrier's 'L'Etoile'

Alastair Muir

Philip Langridge as Grimes in the new ENO production

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Royal Opera divides its activities over the next 10 days between its Covent Garden home and the Wembley Arena, where it is presenting a mega-staging of Andrei Serban's spectacular production of Turandot (December 29 to January 8, with a matinee on January 4). The production, designed by Sally Jacobs with choreography by Kate Flatt, was first seen in Los Angeles during the 1984 Olympics, and has since become one of the company's most popular stagings. Multiple casts have been engaged for the Wembley run, with Grace Bumbry, Ghena Dimitrova, Gwyneth Jones and Eva Marton among the sopranos due to sing the title role. Nicola Martinucci and Dennis O'Neill will sing Calaf, and Lyuba Kazarnovskaya and Judith Howarth will sing Liu. Edward Downes will conduct most performances.

Performances at Covent Garden continue over the New Year period with a well-cast revival Johannes Schaaf's production of Le nozze di Figaro and Peter Wright's staging of The Nutcracker. The next major event at English National Opera is David Pountney's new production of Humperdinck's Königskinder (first night on Jan 30). The ENO repertory next month also includes Die Fledermaus, Rimsky-Korsakov's Christmas Eve and a revival of Nicholas Hytner's popular staging of Xerxes, starring Ann Murray.

The Madrid opera season opens on January 21 at the Teatro Lirico Nacional La Zarzuela with a rare production of The Duenna (1947), a brilliant setting of the Sheridan play by the Spanish composer Roberto Gerhard (1896-1970). It will be conducted by Antoni Ros Marba and staged by Jose Carlos Plaza, with a cast including Richard Van Allan, Felicity Palmer and David Rendall (five performances till Jan 30, followed by a run at the Liceu in Barcelona in February). This will be followed by the acclaimed Paris production of Lully's Atys, with William Christie conducting his French period instrument group Les Arts Florissants (Feb 15). (429 8225).

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Edgar Degas: Sculpture. Degas put only one of his sculptures on show during his lifetime - The Fourteen-year-old Dancer. This exhibition presents 73 bronzes which were cast from a large number of wax and clay models found after the artist's death. The themes are bound up with Degas' work, such as young dancers in action, horses, women bathing and drying themselves. Ends Feb 23. Also L'Estampe Originale: artistic print-making in France 1893-1895. Nine albums providing a survey of the avant garde in art in the late 19th century. Ends Jan 26

Rijksmuseum Rembrandt: a major exhibition bringing together paintings from museums in Berlin, Amsterdam and London, and capitalising on the latest developments in Rembrandt research and attribution. Ends March 1. A companion exhibition of 40 drawings by Rembrandt and his pupils, plus 40 etchings, ends on Jan 19

Stedelijk Museum Wanderlieder: A Journey through the New Europe. Eleven artists give their response to the sweeping political changes in Europe and the new socio-cultural perspectives which have opened up for the visual arts. Ends Feb 9

BERLIN

Altes Museum Martin Schongauer: Engravings. An extensive exhibition marking the 500th anniversary of the death of Schongauer, the first great engraver of German art. Ends Feb 16

Nationalgalerie Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. Ends Feb 4

Pergamonmuseum Miniatures of the Berlin Baisonqur Manuscript: illuminated pages dating from 1420, commissioned by the family of the Afghan Prince Baisonqur. Ends Jan 19

DRESDEN

Albertinum Otto Dix: Dresden's rich collection of drawings from 1912 to the postwar period, most of which was donated by the artist to his home city in 1969. Ends Feb 16. Also Venetian Masters of the 18th century, including Canaletto's spectacular paintings of Dresden and its environs. Ends Aug 23

FLORENCE

Palazzo Pitti Caravaggio: Birth of a Masterpiece. Theibition includes important foreign loans of Caravaggio paintings, including the Kimbell Museum Card-sharpers, never previously exhibited in Europe, and Crowning with Thorns, from Vienna. Ends May 17

FRANKFURT

Schirn Kunsthalle Guercino: an exhibition of more than 80 paintings and 80 drawings, marking the 400th anniversary of the birth of one of the finest 17th century Italian painters. Ends Feb 9

GENEVA

Musée d'art et d'histoire Magnificent Switzerland: a selection of about 80 important Swiss views in oil and watercolour by major European artists of the 18th and 19th centuries, including Turner, Corot and Bierstadt. Ends Feb 2

LONDON

Tate Gallery Francis Bacon's Second Version of Triptych 1944, recently presented to the Tate by the artist, is included in a room which offers visitors the chance to study the development of Bacon's work since 1944. Ends Jan 12. Also Giorgio Morandi (1890-1964): 48 etchings by one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (b1932): first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26

Royal Academy Katsushika Hokusai (1760-1849): sketches, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9

Hayward Gallery Toulouse-Lautrec. Ends Jan 19

National Gallery Paula Rego: Tales from the National Gallery. The exhibition, comprising six acrylic paintings and more than 30 small works on paper, stems from Rego's time as the museum's first associate artist in 1990. Ends March 1. Also The Queen's Pictures. Ends Jan 19

Victoria and Albert Museum The Magi and The Gift: the tradition of Christmas giving seen through French Renaissance stained glass windows, Italian majolica, illuminated manuscripts and etchings by Dürer and Rembrandt. Ends Jan 12.

MADRID

Centro de Arte Reina Sofia Lyubov Popova: more than 100 paintings and works on paper by a leading figure of the early 20th century Russian avant garde. Ends Feb 17

NEW YORK

Metropolitan Museum of Art French Architectural and Ornament Drawings of the 18th century: 130 items, mainly decorative drawings and watercolours for candelabra, clocks, furniture, carpets and hotel facades. Ends March 15. Also Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years. Ends Feb 16. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by the innovative and popular American sculptor. Ends Feb 2. Also Alexis Smith (b1949): a mid-career survey of the Californian artist who has re-invigorated American collage in the past 20 years. Ends March 1

PARIS

Centre Pompidou Max Ernst retrospective, with 250 collages, paintings and drawings showing the great Surrealist painter revelling in the subconscious. End Jan 27

Musée des Arts de la Mode Elegance and Fashion in 18th century France: sumptuous materials and dazzling craftsmanship characterise the 80 exhibits from French Regency to the Revolution. Ends March 31 (107 rue de Rivoli)

Musée d'Art Moderne de la Ville de Paris Alberto Giacometti (1901-66): exhibition of work by the Swiss sculptor and painter. Ends March 15 (11 ave President Wilson)

Grand Palais From Watteau to David: 70 works from the school of 18th century painting. Ends Jan 6

Grand Palais Géricault: retrospective marking the 200th anniversary of the artist's birth. Ends Jan 6

Louvre Three exhibitions of German art from the Gothic to the Renaissance, showing the homogeneity of sculptures, engravings and drawings of the period. Ends Jan 20 (Hall Napoleon and Pavillon de Flore)

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focusing on his early years. Ends Jan 20

ROTTERDAM

Museum Boymans-van Beuningen Prints by Stefano della Bella (1610-1664). At the height of his popularity, della Bella was a favourite of the Florence and Paris courts, but later sank into oblivion. His versatility is shown in etchings of ceremonial festivities, scenes from daily life, vedute, landscapes and designs for ornaments. Ends March 8. Also Paintings from 89 cities by On Kawara, plus an exhibition by two ceramicists, Alison Britton (b1948) and Claudi Casanovas (b1956). Ends Feb 2

WASHINGTON

National Museum of Women in the Arts Voices of Freedom: Polish Women Artists and the Avant Garde 1880-1990. The exhibition, the first in the US of these works, includes every major movement from realism to expressionism, nationalism to abstraction. Ends March 22

National Gallery of Art Walker Evans: classic documentation of American life during the Depression, including New York subway photographs. Ends March 1. Also Albert Bierstadt: the most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration. Ends Jan 12

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Farewell to the USSR

FOR THE second time in five months the world takes leave of President Mikhail Gorbachev. On August 19 he appeared to have been overthrown by a group of plotters desperate to preserve the Soviet Union. They failed, but presumably now consider they have been proved right. For with this second departure – scarcely more voluntary than the first, but this time observing the proprieties – the Union is finally dissolved.

That was certainly not Mr Gorbachev's wish. All his reforms were aimed at preserving the Union, not dismantling it. But each measure adopted served only to strip off another layer of bandage, revealing the wound beneath as deeper and more gangrenous.

The August plotters hastened the process they were seeking to halt. Their half-baked putsch revealed the utter disarray of the old structures – party, KGB, armed forces – and exposed them to rapid demolition. Yet, given that disarray, it is hard to believe in any other outcome.

More than of any plot, Mr Gorbachev was the victim of his own mistakes; above all, of his constant hesitation, delaying each concession until it seemed an admission of weakness. Probably the decisive mistake was his failure to seek direct election by the people in the spring of 1990, which left him fatally handicapped in his struggle with the emerging republican leaderships. They could claim a mandate from the people. He could not.

Doomed

It is equally possible, however, that his enterprise was doomed from the start. Maybe nothing except force could ever hold together the peoples of so vast and disparate an empire. If so, Mr Gorbachev is indeed one of history's tragic heroes. Although the product of a system based on force, he somehow arrived at a deep conviction – ultimately attaining the strength of an overriding moral imperative – that force is not the way to solve political problems.

He applied that principle both in foreign and domestic affairs, and the world has benefited greatly. Western countries no longer have to devote a large share of their resources to a superpower arms race. The rest of the world is no longer the battlefield of proxy wars between rival power blocs. The peoples of central and eastern Europe have been given the chance to choose their own leaders and socio-economic systems. The main non-Russian peoples of the former Soviet Union have won their independence. The Russians themselves have been allowed to reassert their national identity and revive some long-suppressed national traditions. All these peoples now enjoy previously undreamed-of freedoms of expression and of political activity.

Bitterness

Yet for ordinary people in Russia and the other republics, these benefits may be outweighed by the much more tangible drawbacks of acute material hardship and the loss of physical security. There is a worrying contrast between the congratulatory, not to say self-congratulatory, tone of western tributes to Mr Gorbachev's achievements, and the mood of bitterness and despair which prevails among so many ex-Soviet citizens.

Western leaders are right to recognise the new political realities, in the shape of 12 independent republics, and right to be grateful that the other 11 seem ready to allow Russia to inherit the trappings of superpower status with (so far) remarkably little fuss. But stability is not to be counted on, and the effects of instability could be very alarming.

It is in no one's interest to give the impression that what is good for foreigners is bad for Russians, or vice versa. The beneficiaries of Mr Gorbachev's extraordinary career include, notably, the peoples and governments of the west and the new political élites in the former Soviet Union. They share an obvious interest in ensuring that the benefits are felt also by the mass of the people. Both western and ex-Soviet governments must realise, and must explain to their electorates, that this cannot be achieved without some difficult economic choices, from which important vested interests are bound to suffer.

A television trap avoided

TELEVISION viewers and broadcasters have something for which to thank the European Community's council of ministers. By opting for a broadly flexible policy on High Definition Television (HDTV) last week, the council pulled back from a course which threatened to lock the EC into an obsolete broadcasting technology, limit choice and load unnecessary expense on consumers and taxpayers.

The decision is also something of a milestone in EC industrial policy. It marks a victory by advocates of a market-based approach over those, notably the French authorities, who favour "infant industry" protection and large-scale interventionism in support of European producers.

From the outset, the EC's ambitious HDTV strategy has hinged on establishing its own technical standards. Initially, it relied on persuading satellite broadcasters to transmit in D2-Mac, intended as a stepping-stone to eventual full HDTV transmission in a European standard known as HD-Mac. When satellite operators baulked on grounds of cost, the European Commission turned to coercion.

It proposed that, from 1993, all satellite services be compelled to transmit in D2-Mac as well as in conventional Pal and Secam formats. But the council has agreed only to make D2-Mac compulsory for services launched after January 1995. The likely consequence is simply to encourage prospective satellite operators to evade D2-Mac by starting broadcasts before then.

Mr Filippo-Maria Pandolfi, the EC research commissioner, still hopes to win a legally binding commitment from manufacturers and broadcasters to invest in D2-Mac equipment and services. But they are likely to agree only if the EC provides substantial subsidies - Ecu 1bn by Mr Pandolfi's reckoning. Given the need for a unanimous council vote and the overt scepticism of Britain and Luxembourg, approval of funds on such a scale seems improbable.

Obsolete

Prospects for HD-Mac, supposedly the EC's eventual HDTV format, also look increasingly doubtful. Defined in the mid-1980s, it risks being rendered obsolete by more modern digital standards being developed in the US. Indeed, last week's EC agreement explicitly authorises broadcasters to reject HD-Mac in favour of digital technology.

Debacle

The EC needs to learn the lessons of this debacle. The first is that its HDTV strategy started from a fundamentally flawed premise, dictated largely by the defensive self-interest of Philips and Thomson, Europe's two largest consumer electronics manufacturers. They have lobbied for European standards not as a way to promote demand and the supply of new services, but to erect barriers to competition from Japanese manufacturers. That led to a premature attempt to set in concrete a cluster of highly complex and rapidly-evolving technologies and to impose the results with no regard to the market.

These errors might have been avoided if the authors of EC policy, notably in Brussels, had bothered also to consult broadcasters, consumer organisations and television viewers. However, no effort was made to involve them until late in the day, either because they were considered irrelevant or because they might have expressed opinions which did not concur with the interests of the manufacturers. The attitude of the latter is summed up in last week's indignant complaint by the head of the state-owned Thomson Consumer Electronics that the EC had "surrendered to the broadcasters the right to give their views on the rules to which they will be subjected."

One advantage of last week's agreement is that it should give Thomson and Philips a bigger incentive to try to meet market demand, rather than to manipulate it in favour of themselves. A bigger advantage still is that, by effectively throwing open the whole question of the future development of HDTV, it gives the EC the opportunity to return to what should have been the starting-point for policy: giving consumers the most advanced services at the lowest possible cost.

James Baker, US secretary of state, is the FT's choice as Man of the Year. **Lionel Barber** explains why and interviews him

All the world has been his stage

Inside the private office of James Addison Baker III, US secretary of state, stands a small wooden plaque which declares, simply, "It can be done".

The motto sums up Mr Baker's approach to his job as the chief executor of US foreign policy. At the end of a year which has seen the greatest political upheaval in Europe since the 1917 Bolshevik revolution, the tall Texan stands out as the man who could get the job done. Mr Baker ranks alongside Dr Henry Kissinger as one of the most powerful American secretaries of state since the Second World War. Working with European allies, he has striven mightily to maintain order and stability in a world disrupted by the end of communism and the rise of nationalism.

In 1991, Mr Baker travelled more than 235,000 miles, visiting more than 35 countries. He collected billions of dollars from the Arab states to pay for the Gulf war; he played a catalytic role in peace settlements in Angola and Cambodia; and he completed yeoman work on conventional arms in Europe and the strategic nuclear arsenals of the US and the former Soviet Union.

After eight gruelling trips to the Middle East, he flattered, bullied and finally finagled the Arabs and Israelis into sitting around the same negotiating table in Madrid. However uncertain the prospects for a settlement, he can justifiably claim that direct talks between the parties have "set a new baseline" for future efforts.

This month, Mr Baker reasserted himself as the president's point-man on Soviet policy. In an address at Princeton University, his alma mater, on December 12, he spoke of "historic opportunities" created by the new Russian revolution, and declared that the west had a duty to respond.

"If during the Cold War we faced each other as two scorpions in a bottle, now the western nations and the former Soviet republics stand as awkward climbers on a steep mountain. Held together by a common rope, a fall toward fascism or anarchy in the former Soviet Union will pull the west down too," he warned.

Here was a speech which ordinarily would have been delivered by President George Bush. But with his popularity slipping in the polls, the president has been "spooked" by criticism that he is spending too much energy on foreign affairs. Mr Bush may still hold talks with the president of Senegal and other "good friends" out of camera-shot; but in public turning around the stagnant US economy is the order of the day. Mr Baker has moved quietly into the vacuum.

It was not always so. The secretary of state did not have a good Gulf war: he stuck too long last year to the pro-Iraqi tilt policy inherited from the Reagan administration. When Iraq invaded Kuwait, and tough decisions had to be made, President Bush turned to General Brent Scowcroft, national security adviser, and not to Mr Baker.

Mr Baker was widely believed to be ambivalent about the use of military force against Iraq. He rejects the charge; his main concern was to secure the necessary political support, through the United Nations, for going to war. (Mrs Margaret Thatcher, then British prime minister, disagreed vehemently with him; it was not the first time that the two had clashed.)

It is a sign, perhaps, of his defensiveness on this issue that he ranks the passing of UN resolution 678 in late 1990 authorising military action against Iraq as his personal high-point – ahead of the Middle East peace conference and the changes in the Soviet Union.

Mr Baker, who comes from one of the oldest moneyed families in Houston, does not rank as one of the great strategic thinkers to occupy his post. His manner is distinctly unprofessorial; he drinks beer straight out a bottle; he loves stalking wild turkeys in the south Texas scrubland; and in the great tradition of American lawyers, he believes that success largely comes down to absorbing a brief.

Nor does Mr Baker much like reading books. Mr George Shultz, his predecessor, used to have copies of John Locke and Friedrich Nietzsche on his desk. Mr Baker has a keen sense of his place in contemporary history. His shelves are thinly populated: most of the books are accounts of the Reagan-Bush years, written by journalists or by fellow Cabinet members, each of whom has plenty to say about the man known as "The Velvet Hammer".

The main charge against Mr Baker is that he does not believe in anything. He hitched up with Mr Ronald Reagan after twice running campaigns against him, first with President Gerald Ford in 1976 and then with Mr Bush in 1980. As White House chief of staff, Mr Baker went out of his way to temper the hard-line anti-communism of the first Reagan administration; though arguably the collapse of the Soviet empire has allowed him to reap the benefits.

Mr Baker's strength is that he is a great operator, a man who can sense his opponents' weaknesses, build domestic and international alliances, and sell the prospective deals to his colleagues and the US Congress. To these skills, add stamina, an iron self-discipline, a fierce competitive spirit (which the Israelis have discovered to their cost), and an almost unerring instinct for "what will play" in the press. In Washington, at least, this guarantees celebrity status.

Mr Baker attributes much of his effectiveness to his close relationship with Mr Bush, which goes back to the 1960s when they won a tennis doubles match in Houston. Both men understand that US foreign policy in the past has been undermined by presidents who wanted to be their own secretary of state. A further bonus is the cohesiveness of the Bush inner circle, a contrast with the Reagan administration which saw daily squabbles between the state department, Pentagon and White House.

"Listen," says the secretary of state, the Texan twang becoming a touch stronger, "if we have done anything right, it is the way we handle foreign policy and the national security side of this administration. It is because we are all three friends going back to 1975 together (in the Ford administration)."

The three musketeers are General Scowcroft, then as now national security adviser; Mr Dick Cheney, then a youthful White House chief of staff and now US defence secretary; and Mr Baker, then a promising young undersecretary of commerce. Occasionally, swords clash. Mr Cheney was more sceptical than Mr Baker and Mr Bush about President Mikhail Gorbachev, and has been more insistent in his support of Mr Boris Yeltsin and of diplomatic recognition of Ukraine. But to date, none has been bloodied.

Mr Baker has also been careful to secure his own power-base at the state department. Jokes abound about the tight-knit, talented group of aides led by Ms Margaret Tutwiler, chief spokeswoman, who arrived at the department in early 1989. Among the sharpest were told by Mr Raymond Seitz, a 25-year veteran of the foreign service who this year became the first career diplomat to be named ambassador to the Court of St James.

At his swearing-in ceremony at the state department, Mr Seitz imagined each of the seventh-floor advisers as guest lecturers at the Foreign Service Institute. Ms Tutwiler, whose Alabama drawl and fractured syntax belies a keen instinct for tomorrow's headlines, could lecture on diction; Mr Robert Zoellick, undersecretary for economic affairs and the department's leading conceptualist, would doubtless be brilliant enough to deliver two lectures at once; and Mr Lawrence Eagleburger, Mr Baker's overweight and underused deputy secretary of state, could lecture on health.

Mr Baker understands that foreign policy in the US as a whole has no lobby, no vested interest to support it, and no constituents – unlike, say, a tax break, a tariff increase or an agricultural subsidy. His response has been to become a "politician-diplomat", putting together the deal which will pass muster on Capitol Hill, while disengaging himself from areas such as Africa, Lebanon and Yugoslavia, which he believes are neither pressing nor directly relevant to the national interest.

A congressional critic describes this reactive approach as "policy by ingrown toenail". It has irritated career diplomats who bemoan the lack of attention to their specific countries. But Mr Baker argues that the state department has too often looked after its clients rather than the US. "I have seen the US trade economic chits for foreign policy gains to a degree that I thought was unhealthy," he says. "I told our folks around the world that I expect them to concentrate on our economic interests."

A broader criticism is that the Baker approach characterises the reactive style of an administration whose main goal appears to be to preserve the status quo in a world threatened by chronic disorder, where the familiar contours of US foreign policy shaped by the Soviet threat have disappeared.

This may be unfair because Mr Baker has regularly pushed a cautious president into rethinking US foreign policy in the post-Cold-War era. Mr Baker recognised earlier than most that the withdrawal of Soviet forces from eastern Europe and the decline of the Soviet economy had dealt the west, and particularly the US, a very strong hand.

The result was his highly productive relationship with Mr Eduard Shevardnadze, the former Soviet foreign minister, which enabled the two men to work together in resolving regional conflicts. Mr Baker says flatly that without the support of Mr Shevardnadze, "we could never have done the multilateral diplomacy on the Gulf war".

The dilemma is that the break-up of the Soviet empire has deprived the US not merely of an enemy, but also of a partner. Preventing instability, whether economic, social or even nuclear, has become a top priority; the question is whether this goal – far more nebulous than mustering a nation against the threat of communism – will win public support in the long term.

Mr Baker agrees that the enemy has gone, but he says the administration is adjusting, through a steady reduction in defence spending; withdrawal of troops from Europe and, to a lesser extent, Asia; and polite pressure on host countries to pay for the cost of US overseas bases. He dismisses the political appeal of the America First movement on the right wing of the Republican party, saying that ordinary Americans are intelligent enough to understand that the country's interests at home are affected by its interests overseas.

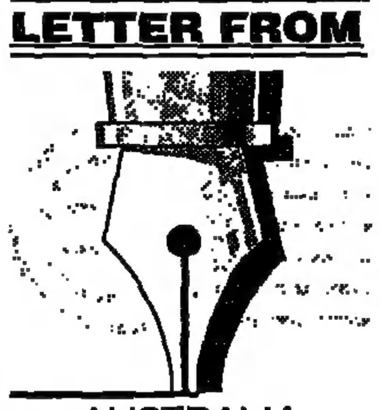
Mr Baker is too diplomatic to say it outright, but he believes that the US, by dint of its political, military and economic might, has become the sole superpower. This may not last for long, especially if Japan and Germany continue to gain in economic strength and political confidence, and if the US refuses to address structural economic problems such as the low rate of savings and investment. Yet it does mean at this point in history that the US bears special responsibilities. "We are a force for stability," he says.

Just how far Mr Baker intends to stretch this view remains unclear. In his Princeton address, the secretary of state seemed to be suggesting that the stakes were so high in the former Soviet Union that Americans should be ready to support the forces of democracy with money – just as General George Marshall, one of his predecessors, had argued in his speech at Harvard in June 1947, laying out the Marshall plan for the reconstruction of Europe.

Post-war Europe is not the same as post-communist Russia, James Baker is no George Marshall, and the US is running a $360bn budget deficit. But in 1992, the world will soon learn whether the US as the sole superpower intends to put its money where its mouth is, and whether Mr Baker, a presidential candidate in the making in 1996, can make the transition from politician-diplomat to statesman.

Desert dug-outs Down Under

LETTER FROM



AUSTRALIA

There is not much doubt about the Christmas present which regularly tops most people's list in Coober Pedy, South Australia – a month somewhere else, preferably with plentiful water, lots of shade and some greenery to rest the eyes.

The urge to get away is hardly surprising in a desert township where average annual rainfall is just 175mm and temperatures range from just below freezing in winter to above 50degC (122 deg F) in summer. Step outside, even on a cool day, and the heat feels like the inside of a pressure cooker. Dust swirls every time a car passes, and the only respite from the relentless sun is the dappled shade of a handful of gum trees.

The secret of survival is the town's unique system of underground living, pioneered by soldiers returning from the trenches of the western front to mine the opals discovered here in 1915. At first, the miners hunted opals by day and slept in tents by night. But they soon found it was more comfortable to sleep in the mines, where the sandstone walls maintain a constant temperature of between 20 and 25 degrees.

Now about half the population lives in the underground dug-outs which honeycomb the low hills around the town, marked only by the oil drums or zinc pipes on top of ventilation shafts. Some are expensive – one five-bedroomed house is for sale at A$107,000 (£45,500). But many are cheap to newcomers, arriving from the cities, and as little as A$12,000 will buy a usable hole in the ground.

If there is a frontier town left in Australia, this is it. To get to it, you drive 850km north from Adelaide, or a bit less south from Alice Springs. Alternatively, you fly for two and a half hours by small aircraft. Even with modern communications, there are few towns more isolated.

Anyone can become an opal miner simply by pegging out a claim and starting to dig. You work for yourself because companies are banned by law, although families sometimes peg a promising area in a number of related names. Most of the miners are European immigrants who heard get-rich-quick tales in the villages of Italy, Yugoslavia and Greece.

Some are native-born Australians who tried mining elsewhere and got the bug. A few are professional men attracted by the independence of the miner's life.

Few strike it rich, and even fewer stay rich. John James, a veteran miner who was previously a fruit farmer, says most make less than they would earn in a factory. Now and again someone makes a big strike and retires to the big city to spend the loot. Most come back broke within a few years.

The opal fields stretch for miles on all sides of town in a lunar landscape of bare orange earth pockmarked by piles of white spoil interspersed with hidden shafts which can kill the unwary. The names of the fields tell their own story: Dead Man's Gully, Hopeful Hills, Larkins' Folly and Potch Gully. Potch is a worthless form of silica, the fools' gold of the opal mining business.

It is a hard existence which attracts men who dislike the complexity of modern life. They say they pay their taxes like anyone else, but they also say that no one knows how much opal is sold quietly to overseas dealers.

The talk in the bars is of tough individualists with names like Harry Crocodile, who struck opal after croc hunting was banned, and Machine Gun Joe, who could be hired to defend a promising claim from interference. Many say Coober Pedy has changed for the worse since the state government set up a district council four years ago, ignoring 95 per cent opposition in a local referendum.

Eric Malliotis, the mayor, says a degree of planning is essential to control the rapid growth of the town, which he forecasts will have a population of 10,000 by the turn of the century. But old habits die hard. Asked what the population is now, Malliotis says no one knows because many miners refuse to complete the census form. Estimates vary between 2,500 and 4,000.

Gun play is rare these days, though many people claim to have seen at least one stand-off. And someone blew up the courthouse recently. "They probably didn't like the judge," says Malliotis. There are other kinds of progress too. Air conditioning, using electricity from the council's diesel-powered generating station, has made living above ground more comfortable, prompting the building of a rash of suburban bungalows. And the Stuart highway to Adelaide and Alice Springs now has a bitumen surface, which attracts tourists in numbers greater than the hardy few who used to brave the old dirt road.

Most stay only a couple of days – long enough to sample kangaroo tail soup (an aboriginal delicacy) and drive a few kilometres out of town for a look at the dog fence, the 9,600km barrier which keeps wild dingos away from the sheep flocks of southern Australia.

So far this summer, the weather has been kind. But few expect the good weather to last. Last year, the temperature was in the high 40s for weeks before and after Christmas.

In a normal year, most people head south for Christmas in Adelaide, or on a Victorian or South Australian beach. But this is a recession year, and for many, that means a rare Christmas period at home.

Like other Australians, they eat an unsuitable meal of turkey and plum pudding, possibly followed by an ethnic delicacy such as Greek sweets. The energetic may play a round of golf on the local nine-hole course – which has earth fairways and "greens" made of sand mixed with oil – or even sail on Lake Philipson, a salt lake which filled during heavy rains in 1989 and will be wet for another year or so.

In the dusty streets, there are few signs of the season – no civic decorations, no portly men in red suits and white beards, and no reindeer pictures on the windows of the Miners' Stores.

But the children give a squeaky rendition of Jingle Bells at the annual candlelight concert, there are artificial pine trees in many dug-outs, and the two underground churches do more business than usual. And when evening comes, barbecue coals begin to glow all over town as 44 different nationalities meet to crack open a tinnie or two. Because this is Australia, after all.

Kevin Brown

A moment in the sun for the south

Patrick Blum on what EC membership means to Portugal as it prepares to take on the presidency

Opposite the Jeronimos monastery, Lisbon's finest example of early 18th-century architecture, day and night building workers are racing to complete the "bunker" – as locals unflatteringly call the large conference and cultural centre which will be the headquarters for Portugal's first ever spell in the rotating presidency of the European Community from January 1.

In stark contrast to the monastery's elegant stonework, the new Esc30bn (£118m) centre squats gracelessly on a patch of ground which conservationists argue would have been better left empty. But to enthusiasts, it is the clearest possible symbol of Portugal's new-found optimism about its future within the Community.

The next six months represent the country's moment in the sun – a time for the Portuguese to reflect on the immense changes EC membership has wrought in their society and economy over the last five years. But they also signal the start of a new phase of European integration that will be more exacting for Portugal – in which it may find the *attention* of some of its partners turning increasingly to the financial and political needs of eastern, rather than southern, Europe.

The testing nature of this new phase can be gauged from the range and *scale of tasks* facing the Portuguese presidency. It will have to start implementing the economic and political union treaty agreed at the Maastricht summit; steer a new and contentious debate on the Community budget; push through an equally controversial reform of the Common Agricultural Policy; seek to maintain the momentum of legislation to create a barrier-free European market by the end of the year; and cope with mounting economic and political problems in the countries to the east of the Community.

What is not in doubt is that Portugal will be an enthusiastic president – at all levels. So far, EC membership has proved overwhelmingly popular in Portugal. According to a recent survey by the weekly newspaper Expresso, 79 per cent of those polled thought Portugal was better off as a result of its EC membership.

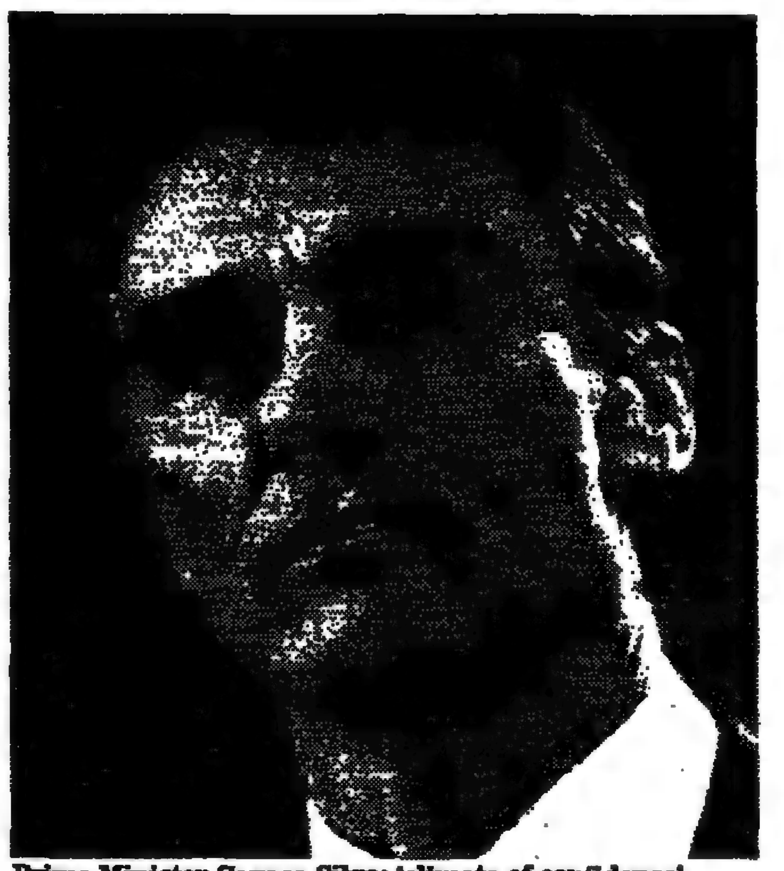
It is not hard to see why. For generous Community financial help is helping Portugal to modernise; standards of living and expectations are rising. Since 1986, the *country* has received about Esc550bn a year in EC funds – representing 6 per cent of foreign and domestic investment. Another Esc900bn is earmarked between now and 1993.

The result: a sustained economic upsurge and the transformation of the country's infrastructure. Between 1986 and 1990, Portugal's growth rate of more than 4 per cent a year was among the highest in the Community, though it has slackened this year to 2.5 per cent. The Portuguese have become avid consumers, and shops are full of the latest hi-fi products, computer games and other electronic gadgets. New car sales are growing by more than 10 per cent a year and traffic in Lisbon and Oporto, the country's second-largest city, is made chaotic by constant road works to install new sewers, water mains, telephone, electricity and gas lines.

It seems hard to believe that it is less than 20 years that Portugal shook off four *decades of military dictator*ship and embarked on an uncertain and unstable political transition. In Portugal as much as Spain, which joined at the same time, EC membership has done precisely what it was intended *to do*: helped to anchor democracy and political stability.

As Mr Anibal Cavaco Silva, the prime minister and democratic Portugal's longest-serving head of government, explains: "EC membership was decisive for the development and modernisation of the country. It helped to create a climate of confidence that was crucial for foreign and domestic investment, and it was *important* as a source of pressure on the government to make the necessary reforms."

When Mr Cavaco Silva, a centrist social democrat, came to power in 1985, he inherited a sluggish economy dominated by an inefficient state sector, unemployment above 8 per cent and inflation of more than 25 per cent. Since then, the economy has been liberalised, several public sector companies have been sold off, and *legislation has been brought* gradually into line with EC requirements. Mr Cavaco Silva's second general election victory in October was an important milestone. With an absolute majority and the socialist opposition in disarray, the prime minister has a free hand for the next four years to implement a tough economic programme.


Prime Minister Cavaco Silva: 'climate of confidence'

The real challenge for the government now is to keep Portugal's economy growing quickly at a time when some other EC countries are in recession – and when demands for Community assistance for eastern European countries are on the rise.

It is not that there is an imminent danger of EC funds being diverted from Portugal towards such candidate EC members as Poland, Czechoslovakia and Hungary. Indeed, Portugal was well pleased with the results of the Maastricht summit, which agreed to set up a new "cohesion" fund to provide *assistance to the poorer* EC economies.

But there is much still to do. In 1990, Portuguese per capita incomes were still only 56 per cent of the EC average, up from 53 per cent in 1986. And this figure conceals sizeable regional disparities. Poverty is still much in evidence in shanty towns in and around Lisbon and Oporto. The government hopes substantially to reduce such disparities in the next four years, but it will not be easy.

The going will be all the tougher as a result of the rigorous economic programme being pursued by the government to prepare Portugal for the adoption of a single European currency and the third stage of economic and monetary union (Emu) by 1999. To meet the EC's conditions for economic "convergence", the government's aims between now and 1995 include bringing down inflation, now 11.4 per cent a year, to about 5 per cent, and reducing the budget deficit from its present 5.5 per cent of GDP to 3 per cent – all the while seeking to maintain annual growth of 3-4 per cent. Privatisations will be accelerated, public expenditure will be *tightly controlled and the gov*ernment will seek to moderate wage inflation – certainly keeping settlements well below the 17 per cent being sought by some public sector unions. "These objectives are very ambitious, but if they are fulfilled Portugal will be among the first group of countries to move to [Stage Three] of Emu," said Mr Henning Christophersen, EC commissioner for economic affairs.

*Whether Portugal can main*tain this pace will depend in part on continuation of its recent success in attracting foreign investment. Capital inflows from abroad are playing an increasingly important role in helping to modernise the economy, as well as providing new jobs to replace those being lost in textiles and agriculture, both of which face a deepening crisis as EC barriers fall.

Since 1986, direct foreign investment has doubled each year and is expected to reach close to Esc1,000bn this year. The bulk has gone into the financial sector, real estate and tourism, but close to 30 per cent of foreign investment is now going into manufacturing – boosted this year by a $2.8bn investment by Ford and Volkswagen in a joint venture to make a new multi-purpose family vehicle for the European market. According to *ICEP, the investment promo*tion institute, the plant could generate about a quarter of all Portugal's exports and substantially reduce the trade deficit by the mid-1990s. EC membership, bringing with it generous *cash subsidies, was of course* crucial in clinching the deal.

Another important factor in attracting investment must be Portugal's wage levels, which are among the lowest in Europe. Here lies a potential worry, for the high investment level, while helping to cut unemployment to about 5 per cent of the workforce, is also causing substantial upward pressure on wages. Many businesses complain of a shortage *of skilled workers*. In the liberalised financial sector, salaries have risen rapidly.

If this were to become a more widespread trend, it might weaken Portugal's attractiveness for investors – although the government argues that it does have other important attractions: relatively strong productivity levels, for example, and an absence of strikes in the private sector.

Portugal still has a long way to go to catch up with the Community's richer members, but the government is in a hurry, sensing that the opportunities currently facing it may not recur any time soon.

Stars of screen, 1990s-style

Alan Cane on the virtuosos of the video game

Mr Archer MacLean is one of a new breed of superstar; the video games virtuoso. He has written four blockbusters in eight years. Each has reached top spot in the charts. At the UK games industry's annual beano last week he was honoured twice – for technical merit and for his outstanding contributions to the business over the years.

In an industry which is increasingly using production line techniques to satisfy the demand for sophisticated electronic fantasies, he and a handful of talented colleagues, including the British designers Mr Geoff Crammond and Mr David Braben and the American Mr Sid Meier, are soloists. They have distinctive trademarks. Mr Crammond, for example, is a master of simulation; his latest work, two years in the making, recreates every aspect of a Formula One Grand Prix it is possible to achieve on screen.

Mr MacLean adds humour to accuracy. The snooker balls in his latest, "Jimmy White's Whirlwind Snooker", are likely to stick their tongues out if the player is overlong in *lining up a shot, but they* rebound according to exact mathematical rules.

These authors work alone, originating the idea, developing the story line, creating the graphics and sound effects. *Finally, they write the com*puter program and sell it to a software publisher such as Virgin Games or US Gold. MacLean does everything but write the music for his games: "I could if I tried," he says.

Now *almost* 30, MacLean's life story could be the inspiration for a computer game in itself. A "nightmarish" childhood resulting from his parent's broken marriage gave him a steely determination to succeed. By the age of 14 he was building computers. A degree in cybernetics at Lancaster Polytechnic followed but he never made use of it. Instead he took two years off to write his first bestseller, Drop Zone. Another two years work led to International Karate which topped the charts here and in the US.

He enjoys the trappings of his success: a Warwickshire mansion in 10 acres of land, complete with tennis courts and swimming pool, a Ferrari and a Porsche.

MacLean and his like, able to earn six-figure sums for each successful game they create, are the aristocrats in a business rapidly outgrowing its cottage industry *origins*. Estimates put the worth of the total UK market at £500m a year. The US market may be worth four times that figure.

Since the first elementary games were produced for Commodore Pets and Sinclair Spectrum computers in the early 1980s, the market has segmented sharply. Today, software authors have a choice of three principal kinds of hardware to write for: home computers such as the Commodore Amiga and the Atari ST, personal computers of the IBM variety and games consoles developed by the Japanese makers Nintendo and Sega.


Epic: one of a new genre of electronic fantasy games

Sales of the Nintendo and Sega consoles, however, are a credit to Japanese packaging and marketing. One in four US households already owns a Nintendo machine; one in three in Japan.

Games for consoles, moreover, are supplied on hard-to-copy cartridges, making them virtually piracy-proof, so offering a solution to a problem which once threatened to destroy the games software business. MacLean reckons that for every legitimate copy of his games in circulation there are six illegal copies.

The industry itself now resembles a cross between the music business and conventional publishing. Large software publishers – Virgin Games, US Gold, Microprose and Electronic Arts, for example – have emerged. They use their own games designers and *production teams to manufac*ture the product.

Cygnus Software works for many of the large software publishers as well as creating its own products. It may put work out to freelance computer specialists. Mr Nigel Kenward, for example, once a jeweller, now creates game screen images under contract to Cygnus. An industrial designer by training, he finds it a diversion while he looks after his daughter – giving his wife the freedom to follow her teaching profession.

An example of a development house which has shot to prominence after marketing its own game ideas is Core Design of Derby. It has had a *string of hits including* "Corporation", "Chuck Rock" and "Thunderhawk". Its latest offering, "Heimdall", a gothic adventure, is high in the rankings this Christmas. Less than four years old, the company is already *turning over* £4.5m annually.

A good designer should earn at least £50,000 from a successful game but as new ideas become scarce it is less easy to earn an instant fortune. And designers have to protect themselves with a cast iron contract. As in the record business, games software is rife with stories of designers who say they have been cheated by unscrupulous publishers.

Another gripe is lack of recognition from the more traditional end of the software business. Mr Paul Moodie, sales director of Microprose, which specialises in simulation games, emphasises the expertise and sheer computing know-how necessary to recreate the cockpit of a Stealth bomber or the finer elements of a game of golf.

Mr MacLean says he had to resort to "unfathomable" depths of programming ingenuity to give his snooker game his characteristic gloss and polish. But it took his publisher, Virgin Games, from 3 per cent to 26 per cent of the market in a year.

LETTERS

Solutions to a pensions conundrum

From Mr Peter Tompkins.

Sir, John Dick (Letters, December 20) draws attention to the tax rules for "top-up" schemes and the lack of security if there is no properly segregated pension fund. The main problem with the tax system is that pensions are taxed as "annual payments", even if the contributions were taxed when they were funded.

The Association of Consulting Actuaries has recently put forward solutions to this conundrum in a submission to the chancellor of the exchequer. One alternative is for tax to continue to be charged on all pensions when they are paid but to give relief for the contributions. The main distinction from an approved scheme would remain that investment income is not tax-free.

The other choice is to exempt pension funds which have already been taxed from paying further tax on an employee's pension after retirement. This change would, at a stroke, make funding a "top-up" pension scheme sensible – and have the added advantage to the exchequer that tax would be paid immediately on the contributions made for the employee to the fund.

Peter Tompkins,
chairman,
taxation sub-committee,
Association of Consulting Actuaries,
Norfolk House,
Wellesley Road,
Croydon, Surrey

Lasmo move unfair to private shareholder

From Mr Derek Pearce.

Sir, Lasmo clinches its win of Ultramar. How does it do it? Not through the two offers it has made to ordinary shareholders. No, it makes an "astute" cash purchase of 3.55 per cent of Ultramar shares from institutions. As an ordinary shareholder of Ultramar I deplore the fact that I was not offered 300p for my shares. I have to be content with Lasmo paper.

Clever though Lasmo and the institutions may feel, the fact is their conduct, although within the rules, is unethical and unfair on private shareholders. Their behaviour spirals further the descending standards of the City. Self-regulation is proving a farce. If the City cannot be ethical it must have the tougher laws it deserves.

Derek Pearce,
Oaks Farm,
Kerdeston,
Reepham, Norfolk NR10 4RP

Customers and takings deciding factors on Sunday trading

From Ms Charlotte Smallman.

Sir, Mr John Saunders' letter (December 21) was a breath of fresh air in a debate clouded by emotion, hypocrisy and self-interest.

As a small independent toy and gift retailer struggling to cope with sharply rising rents and the effects of a recession on turnover (in itself an inexplicable combination) my approach to the subject is very simple.

If my customers indicate that they don't want the convenience of Sunday opening by staying away, *if my staff no* longer want the opportunity to work on Sunday and if the week's takings fail to justify the extra cost, I'll stop. Until then, I'll continue.

Charlotte Smallman,
managing director,
Frog Hollow,
15 Victoria Grove,
London W8

A scientific sort of brain teaser?

From Mr T I Perkins.

Sir, I refer to the maths level of Andrew Adonis ("One in four pupils struggle in maths and reading tests", December 20).

If 90 per cent of the science pupils were in level 2 or above and 23 per cent in level 3, where were the rest – or was this the start of a new Christmas brain teaser?

T I Perkins,
Travis Perkins,
Cobtre House,
Forstal Road,
Aylesford,
Kent ME20 7AG

Understanding cultural market

From Mr Simon Mundy.

Sir, Perhaps the main reason why the newly-created media giants have failed to be limitless moneyspinners is their misunderstanding of the cultural market ("Headline Makers", December 17). To assume that just because the whole world buys cinema tickets or CDs the world likes the same film or artists is only partly vindicated. The lowest common denominator is quickly satisfied. There are only a few Pavarottis, Michael Jacksons or Total Recalls to go round.

In reality cultural tastes are far more diverse and specialised than the Time Warner or News Corporation accountants find convenient. That is why, as Bronwen Maddox points out, they still remain strongest in their home markets. It is also why at exactly the moment when the giant corpo*rations are floundering*, the smaller record companies, medium size publishers and nationally based film producers are still holding on. They may not be raking in the money but they are quietly expanding *catalogues* and exploiting the yearning for strong regional cultural identity.

Simon Mundy,
director,
National Campaign for the Arts,
Francis House,
Francis Street, London SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Inconsistency on the question of independence for Croatia

From Ms Irene Lipp.

Sir, Is it only by standing on one's head that one can understand your leader on the EC and Yugoslavia ("The EC and Yugoslavia", *December 19*)? Is there any communication between your leader writer and your regular contributors, Samuel Brittan and Edward Mortimer? Already this summer Samuel Brittan argued forcibly *for early recognition* of Slovenia and Edward Mortimer demonstrated a profound understanding of the ethnic fault line that exists between the Croats and the Serbs going back more than 1,700 years.

Edward Mortimer concluded his article (Foreign Affairs) on December 18: "With hindsight it seems a great pity that this approach (ie recognition) was not tried when Slovenia and Croatia declared independence before the serious fighting started." Yet only one day later your leader writer says that recognition is only of peripheral importance. He states that at the heart of the problem is the protection of rights of ethnic minorities.

At the heart of the present problem in Croatia is Serbian expansionism using, as a smokescreen, the defence of rights of ethnic minorities. You are either guilty of naivety or wilful misrepresentation. The Serbian minority represents 12 per cent of the population in Croatia yet already occupies 33 per cent of Croatia. By withholding recognition the Serbian-led federal army is given a spurious legitimacy to carry on with the slaughter in areas totally inhabited by Croats.

There is an inconsistent approach by the US, Britain and France in their hurry to acknowledge the dissolution of the Soviet Union yet a distinct reluctance in coming to terms with the break-up of Yugoslavia.

Sadly, I can only draw one conclusion: that we are back to 1914. The right of self determination is considered sacrosanct but it is only allowed to happen when it fits into a pattern of power politics. To grant recognition to the separate republics in Yugoslavia is perceived to grant too much influence to Germany from the Baltic to the Adriatic. In the meantime the apathy and indifference in Britain to the suffering of Croats is in sharp contrast to the reaction to the *suffering of* the Kurds or the Kuwaitis last year.

Irene Lipp,
Southview,
Woodhall,
Harthill, Sheffield

FINANCIAL TIMES
Friday December 27 1991

Maxim Natanovitch describes the birth of the USSR to **Gillian Tett**

The man who lived through it all

To have lived through the birth and death of the Soviet Union is a considerable feat. To have done this and retained a sense of humour is even more remarkable.

But Maxim Natanovitch, a Russian Jew and former doctor, who recently turned 100, has had an extraordinary life. "I have lived through two world wars and four Russian revolutions – not bad for one lifetime!" he said.

His first "revolution" – while still at school – was the anti-tsarist revolt of 1905. The second, the fall of the tsar in 1917, followed by the third, when the Bolsheviks seized power in late 1917. He has also survived Lenin, Stalin, the purges, *perestroika* – the fourth revolution – and Gorbachev.

"Back in 1917 they said we would have a shining future. Now they say it was all a lie! But how could we have dreamt then that what we started would end like this?"

Like many who have lived through the horrors of the wars, Maxim Natanovitch is deliberately stoic about the present situation. "It's very, very bad now – the queues, the prices. But people aren't really starving, not like they did before. Not like Petrograd back in the revolution."

As a war veteran, he says his pension is just enough to live on. His tiny flat in the Moscow suburbs is cosy. There were oranges on the table – an expensive luxury – but the lift is broken and the stairwells vandalised and stinking.

His biggest problem is finding medicine for his 65-year-old bedridden daughter, who lives with him, spending her days peeping through the eighth floor window at ranks of snow covered tower blocks.

Born into a poor Jewish family in 1891, Maxim is one of few veterans of the Russian revolution who has lived to watch the system he fought and risked his life for crumble into chaos.

His own story of the revolution, was, he admits, a messy affair. In 1916, he arrived in the Russian city of Kazan to study medicine, after fighting for the tsarist army in the First World War. "The atmosphere then was like the atmosphere now. All that people could talk about was politics! You would go out to buy a loaf of bread, and before you knew it, you would be in the middle of a political meeting!"

The anarchists, he remembered, were particularly active. "They were a strange lot. They would stand in the middle of the street, shouting loudly, and arguing. There wasn't anything like it again until this perestroika."

And the communists? I asked.

"They appeared in force after the downfall of the tsar ... We couldn't understand them at first either."

How could the the factories belong to the workers? I wondered. "How can we have no landowners? It seemed nonsense!

Survivor: Maxim Natanovitch, born in Russia in 1891, has lived to watch the system that he fought for crumble

"But we got used to these slogans ... And then the Czechs suddenly arrived."

In 1918, a small legion of Czech troops, fighting for the "whites" against the red guards during one of the more obscure chapters of the civil war, captured Kazan. "Nobody had a clue why the Czechs had appeared, or what they wanted. It was chaos. So although I wasn't a communist then, I joined the red guard. It seemed the best chance."

As the white army advanced, he remembers running through the panic-striken streets, and fighting his way on to the last train for Petrograd – later renamed Leningrad. He arrived several months after the Bolsheviks seized power.

"It was appalling when I arrived. The red guard was in charge, but people were starving and cold. The food had stopped coming into the city, and money didn't work any more."

He survived by trading a gold ring for several sacks of flour and potatoes. "It was all barter – just like they say is happening now."

But did people then believe in the revolution? Did they understand it?

His room was completely bare of communist memorabilia. The only souvenir of the distant past was a photograph of his long-dead army commander from the First World War. "What I believe now is a different matter. But then – we believed. Deeply believed," he said firmly.

"People who ask now 'Was the revolution worth it?' – well, they've forgotten what it was like before 1917. The people were desperate. Life was very, very difficult. These communists came to us saying we could have a new life, better economic conditions – it was hope for us. They said they would give us freedom. Just like now, we wanted to believe them."

A deciding factor was his Jewish identity. Under the tsars, Jews were barred from many jobs. During the early years under Lenin, he believes, Russia managed briefly to stifle anti-semitism – an anti-semitism which has been quick to reappear with the rising tide of Russian nationalism.

But how long, I wondered, did his optimism about the revolution last?

"Several years. At first we were so busy building everything, organising everything, changing everything, we were optimistic! It was 'reconstruction' - *perestroika*," he said.

"But then the shootings started, and Stalin came to power, and little by little it became clear that our leaders weren't for the people or for communism. They were just fighting each other for the seat of power."

He had seen Stalin, he said, when he participated in the May Day processions as a veteran of the civil war. "I looked up suddenly and he seemed so great and powerful. I thought he was like God then. Later I changed my mind."

"Later" was above all 1946, when his son-in-law returned from fighting in the Second World War. He had been captured early in the conflict and for five years had vanished, presumed dead.

After the war, he reappeared from a prisoner of war camp. But the celebrations were short-lived. Within weeks his son-in-law was arrested on suspicions of being a spy and deported to a gulag.

"It was not until the time of *perestroika* that we realised that this was not unusual," he said flatly. "That not just a few, but millions of innocent people were deported like this!

"Before we knew so little. When we found out under perestroika – well, can you imagine? It would take me three whole days and nights to tell you about the shock, the pain, the betrayal we felt!"

There was a long pause. With deliberation he poured out some tea and drunk it, Russian style, through a spoonful of jam.

"After that we really didn't know what to think. About Stalin. About these 'communists'. Well, we just lived. Made the best. What else can you do?"

But what about this new "democratic" revolution, I asked? Did he mourn the passing of the system he had once fought for?

No, he said adamantly. With a gentle resignation, typical of so many Russians, he argued that no revolution had ever lasted for long. The French revolution, the communist one, all had their place in the historical process. "But that doesn't mean that they were wrong to happen, does it? Communism as theory – it is like any religion, it could be wonderful.

"What do I think about this Yeltsin, this Gorbachev fellow, you ask? Well, I don't really know what to think about them.

"When I see them on television it all seems a bit like before. Like 1917. The leaders are promising people freedom and new ideas and a future. They promise and promise! Only this time they are called democrats!"

Who knew what people would say about the *perestroika* revolution in 70 years? Maybe they would decide that the promises hadn't been kept and start yet another "revolution"?

He smiled. "But I won't be alive to see that. I've lived through enough revolutions."

THE LEX COLUMN

The utility of regulation

The debate over utility regulation has reached such a pitch this year for it to be worth asking whether the regulators are serving their original purpose. After all, the government which doggedly sold off utilities in the 1980s has come to condemn the salary increases of the chairmen in the private sector monopolies it created. Scarcely five years after it was privatised, British Gas is a step or two away from dismemberment at the hands of its regulator.

The question is best addressed in an historical perspective. In the bad old days of public sector monopolies, the government oversaw inconsistent investment programmes and customers put up with poor services. Parliament and the Office of Fair Trading were the official safeguards against monopoly abuse. Then came Mrs Thatcher. Privatisation was central to the objective of creating a nation of shareowners and allowing the market to finance moribund state assets. The experiment reached its peak in 1984 with British Telecom, in its Post Office days a symbol of monopolistic complacency.

While there was broad agreement that BT should not be allowed unfettered power, in practice that consideration became secondary. Peripheral areas of the telecommunications business were thrown open to anyone who could meet basic technical standards. In its main businesses, BT was subjected to competition only via a hastily created regulatory framework.

Fair trading

The civil servants instructed to produce the legislation for the BT flotation decided that for the shares to be marketable they needed a framework that would be familiar in its essentials and would ensure that BT could neither restrict competition nor abuse its monopoly powers over pricing. Under severe pressure of time, they chose simply to re-write whole sections of the Fair Trading Act. The director general of Oftel was thereby given sweeping powers: he could, for example, remove the entire BT board. But at the time, the regulatory environment was described as "light touch", implying supervision rather than such wholesale interference.

Yet even when British Gas came up for sale two years later, it was obvious that the telecoms market was not seeing as much competition as the architects of privatisation had expected. It was generally concluded that BT was resisting change, although it was equally true that Oftel was failing to use the powers in its licence. Regulation also consisted of monopoly restraint in the form of an inflation-linked formula governing how much BT could charge its customers. Other models, including the US rate of return system for utilities, were rejected as impractical. A system of rigid financial controls would not produce an attractive investment and would raise less cash for the government. In addition, it was argued that management would lack the incentive to be efficient.

Breaking up

In 1986, the option of breaking up the gas industry was rejected by the government. That decision made it abundantly clear that the adopted system of price-cap regulation was a compromise, not least because a wholesale break-up into competing parts would have reduced the government's proceeds. By allowing a vertically integrated monopoly to enter the private sector, the government implied that its priorities were essentially financial.

The sales of the water and electricity generating industries, both of which were given variations on inflation-linked price-cap regulation, reinforced that notion. In the case of water, the government's overriding objective was to avoid public funding of the huge investment needed by the industry to meet improved water and service standards.

As for electricity, the aim appeared more overtly political in the aftermath of the bitter miners' strike in 1984. Selling off the distribution companies was the first step towards the government's purpose of ending the social subsidy given to coal miners. That was achieved by setting 1993 as the date after which the generators would be freed from their obligation to buy from British Coal, itself a candidate for future privatisation should the Conservatives be re-elected.

Given the mixture of motives which characterised the privatisation programme, it is scarcely surprising that the government now stands accused of having been, in some respects, dishonest. British Gas recently endorsed that argument when it pointed out that its shareholders were misled by the 1986 sale prospectus which made no mention of the possibility of "creeping regulation". The BT secondary sale saw institutions pressuring Oftel to clarify its future intentions, a call which the regulator pointedly resisted in his prospectus statement.

The water companies have suggested that the rapid evolution of regulation is hindering their ability to make long-term investment decisions to the point where they are in danger of being regulated out of existence.

That seems odd, not least because in theory it is the regulator, not the companies, which will eventually disappear. Given that Ofwat's licence confers on it a duty to ensure the companies' financial viability, its offence may have been merely to adopt a hard bargaining position.

Changing rules

To return to the original question, one could argue that the tension this year has been caused by an about-turn in individual regulators' views of their role. In effect, the remnants of the light-touch principle have been jettisoned in favour of the realisation that, at heart, the regulators' job is to overturn the uncompetitive structural arrangements allowed at the outset by the government.

Thus, Ofwat and Ofgas have been conspicuous by their willingness to explore and exploit the powers conferred in their licences. The electricity industry is still in its infancy, so the regulator has chosen not to reveal his hand. Meanwhile, Oftel's determination to stick to its traditional hands-off role threatens to leave it in splendid isolation.

Despite their healthy dividend streams, utility shares still trade at the above-average yields on which they were floated, a reflection of the regulatory risk with which they are now tainted. It is logical to conclude that as the regulators complete their work, the shares will have to be priced on the basis of their break-up values.

UK opposition returns to attack in election run-up

By **Ivo Dawnay**, Political Correspondent

THE Christmas political truce in the UK ends today as the opposition Labour party launches its biggest ever leafletting campaign aimed at one million households, mostly in marginal seats, over the next few days.

Mr John Major, the prime minister, must call a general election before July 17 and recent opinion polls have put the government level with the Labour party.

Hundreds of party workers have been assigned to deliver a message from Mr Neil Kinnock, the opposition leader, intended to combat the economic gloom with an upbeat pledge that Labour has devised policies to deliver steady long-term growth.

Reports of the New Year offensive emerged after an apparent slip by Mr Chris Patten, the Tory party chairman, suggested that the government now favours a May poll.

In a recorded BBC radio interview, Mr Patten said his resolution for 1992 was to deliver a fourth general election victory. Then he added: "And what I also hope is for the end of May ... sorry, I should have said the end of July. I've given the game away."

His comments were immediately denounced as "juvenile" by Mr Jack Cunningham, Labour's campaign's co-ordinator. "The electorate has lost patience with Cabinet ministers who are toying with the people's rights to decide on a new government for Britain," he said.

Mr Patten later said his remarks had been made some time ago and intended only to indicate that the election could be called at any time up to July next year.

Many pundits say a May poll, possibly in conjunction with local government elections on May 7, must rank high among the probabilities, though the gloomy economic outlook now reinforces some Tories' arguments for the government to soldier on until the last moment.

Yesterday, the opposition parties made clear they have no intention of letting up in their attacks on the government's economic record.

A Christmas message from Mr Alan Beith, treasury spokesman for the third-party Liberal Democrats, took up Labour's charges that the Tories had failed to deliver a promised economic recovery by the year end. Charging the government with failing to anticipate the stubbornness of the recession through early increases in public spending, he promised the New Year would see a rise in public support for the Liberal Democrats.

A Labour official said that the party would use its leafletting offensive to project "an upbeat message of optimism and hope". Arguing that voters understood that responsibility for the downturn rested solely with the government, he added that the leadership expected the government to produce a short-term package to boost consumer confidence.

However, what the public wanted were long term solutions to Britain's economic failings. "People want to know that it doesn't need to be like this and that Labour can offer more than just a sticking plaster," he said.

Tokyo trade surplus rises

Continued from Page 1

of the US recovery when it comes in late 1992," the report said.

There was little good news on the UK economy, however. Figures showed that the British energy sector, which has fuelled economic activity in the last two quarters, has stalled.

According to the latest figures in the Royal Bank of Scotland oil index, November production from the British sector fell by 64,000 barrels a day – bringing to an end an unbroken series of monthly rises which began in June.

The value of production fell significantly during November as falling international oil prices were magnified by the rise in sterling against the dollar.

The value of average daily production fell from £26.4m to £23.6m during the month.

Sir Anthony Quinton, the chairman of Barclays Bank, said 1991 had seen the "worst collapse" of UK business confidence since the 1930s. "The economy is in a pretty dismal state and is going to stay that way for a while," he said on BBC Radio.

Call for Opec meeting

Continued from Page 1

will be discussed anyway. Over the past six weeks, the price of Brent crude, a key market indicator, has fallen by more than a fifth, from $22.50 a barrel to $17.50. This compares with Opec's target reference price of $21 for a basket of its members' crudes.

The main reason for the fall is the weakness of the world economy, particularly the US, where the third-quarter economic upturn now seems to have petered out.

Another reason was heavy stocking by consuming nations in the second half of last year in anticipation of pressures which did not materialise. For example, the former Soviet Union has managed to maintain exports of oil despite internal political turmoil, and the winter has so far been comparatively mild in Japan.

Although the defeat of Iraq removed a large supplier, that shortfall is steadily being made up as Kuwaiti oilwells come back into production earlier than expected. But analysts say the market could still tighten in the coming weeks.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Berlin	Dr	2	36	Caracas	C	28	82	Faro	S	15	59	Islamabad	C	14	57
Algiers	C	13	55	Biarritz	S	7	45	Casablanca	S	17	63	Florence	S	3	37	Istanbul	F	4	39
Amsterdam	F	9	48	Bombay	S	23	73	Chicago	S	6	43	Frankfurt	R	2	36	Jakarta	R	30	86
Athens	F	8	46	Bordeaux	S	7	45	Cologne	C	5	41	Geneva	F	2	36	Jersey	F	9	48
Bahrain	S	18	66	Boulogne	C	10	50	Copenhagen	R	7	45	Gibraltar	C	15	59	Johannesburg	F	22	72
Bangkok	F	34	93	Brussels	C	7	45	Corfu	S	9	48	Glasgow	S	9	48	Lima	C	24	75
Barcelona	S	11	52	Budapest	S	-1	30	Dallas	R	6	43	Helsinki	Sn	0	32	Lisbon	S	10	50
Beirut		–	–	Buenos Aires	R	24	75	Dublin	C	8	46	Hong Kong	C	20	68	London	C	11	52
Belfast	C	8	46	Cairo	F	16	61	Dubrovnik		–	–	Innsbruck	F	0	32	Los Angeles	S	10	50
Belgrade	S	-2	28	Cape Town	S	21	70	Edinburgh	S	8	46	Inverness	C	9	48	Luxembourg	C	1	34

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	18	64	Milan	S	4	39	Nicosia	C	16	61	Salzburg	F	1	34	Tenerife	S	21	70
Madrid	C	3	37	Montreal	F	-11	12	Oporto	S	14	57	San Francisco	C	8	46	Tokyo	C	4	39
Majorca	S	13	55	Moscow	C	-7	19	Oslo	F	-1	30	Seoul	F	5	41	Toronto	F	-3	27
Malaga	F	15	59	Munich	F	1	34	Paris	C	3	37	Singapore	T	24	75	Tunis	C	13	55
Malta	F	16	60	Nairobi		–	–	Peking	C	-4	25	Stockholm	C	1	34	Valencia	S	12	54
Manchester	C	10	50	Naples	F	8	46	Prague	Sn	0	32	Strasbourg	F	2	36	Venice	F	4	39
Manila		–	–	Nassau	C	28	82	Reykjavik	F	3	37	Sydney	S	26	79	Vienna	F	1	34
Melbourne	C	32	90	New Delhi		–	–	Rhodes	R	12	54	Taipei	C	23	73	Warsaw	Sn	-3	27
Mexico City		–	–	New York	S	-3	27	Rio de Janeiro	C	37	99	Tangier	S	16	61	Washington	S	-2	28
Miami	C	19	66	Nice	S	11	52	Rome	S	11	52	Tel Aviv	S	16	61	Zurich	F	0	32

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Friday December 27 1991

INSIDE

Lasmo hopes to sell Ultramar Canada

Lasmo, the oil and gas group, intends to establish Ultramar Canada as a separate company as a first step in its disengagement from downstream activities after its recent takeover of Ultramar. A detailed review of the Canadian business is underway and a range of divestment options are being considered, including trade sales and public flotations. Lasmo hopes to sell the business within a year. Page 14

Bullers shares suspended

The shares of Bullers, the lossmaking UK giftware, decoration and fine arts products manufacturer, were suspended on the London stock market on Tuesday at 3.5p as some of its creditors agreed to convert its debts into equity and subscribe for new shares. Page 14

Isuzu suspends payout

Isuzu, the Japanese vehicle-maker in which General Motors of the US holds a 37.4 per cent stake, has suspended its dividend payment after plunging into the red in the year to the end of October, posting a pre-tax loss of Y48.38bn ($382.4m), compared with a profit of Y15.37bn last year. Isuzu blamed the loss on weak demand for vehicles in its principle markets, particularly the US and Japan. Page 15

An angry man

Mr Andrew Smith is an angry man these days. The former managing director of Mr Robert Maxwell's London and Bishopsgate International Investment Management says he is "disturbed" that there should be any questions raised about him or any "guilt by association" with the Maxwell group. Page 14

IBM to supply Hitachi

IBM, the computer company, has agreed to supply Hitachi, the Japanese electronics group, with its latest Japanese language personal computers for sale on an original equipment manufacturing basis. Page 15

Market Statistics

Companies in this issue

Agnelli bid for Exor set to be cleared

By William Dawkins in Paris

FRANCE'S stock market authorities were yesterday set to clear the Agnelli family's FFr5.6bn ($1.03bn) bid for Exor, the holding company which controls Perrier, the bottled water-to-Roquefort cheese group.

The bid had run into a potentially expensive technical hitch, and had also encountered opposition from farming unions in Roquefort, unwilling to see control of Perrier pass into entirely non-French hands. Exor controls 35 per cent of Perrier, prime property in Paris, and owns Château Margaux, the distinguished claret, though the family shareholders are expected to retain at least management control of the vineyard.

This marks a significant extension of the Agnelli family's French industrial interests, which also include 5.8 per cent of BSN, the food group which owns Badoit, the main competitor to Perrier.

The stock exchange watchdog, the Commission des Operations de Bourse, yesterday approved the bid documents under its disclosure rules.

This cleared the way for the Société des Bourses Française, the market executive, to allow the bid formally to open – the final regulatory hurdle.

The move follows an announcement by the Conseil des Bourses de Valeurs (CBV), the stock exchange regulator, that Exor would not after all have to bid for two-thirds control of Perrier. That would have seriously complicated the offer for Exor being made by Ifint, the Agnellis' foreign holding company.

Ifint had already decided to enlarge its original offer for two-thirds of Exor to include all of the shares, after minority shareholders complained they were being given unfair treatment.

Speculation ran high last week that Ifint would have then to bid for Perrier as well as for Exor. This was because of a CBV ruling that Exor in concert with others had bought more than one third of Perrier in 1990. In theory, that meant Exor must make a two-thirds bid for the bottled water group, in line with the 1989 takeover law that introduced the 33 per cent trigger. The CBV changed its mind when it heard Exor and its allies had crossed the bid threshold in 1987, before the new law took effect.

Robert Peston finds the most senior manager at Midland braced for a grim new year

Giving pride to the people in grey suits

The bank manager is going to make a comeback in 1992 – or at least that is the fervent hope of Mr Brian Pearse, chief executive of Midland Bank.

During the past year, bank managers have been pilloried by the government for being insensitive to the needs of small and medium sized businesses.

At the same time, they have been lambasted by companies and individuals alike for overcharging. Some may say only the police now have a worse public image.

However Mr Pearse's counter-intuitive solution to the problem of how to improve the performance of banks – both their financial performance and their relationship with the public – is to give more responsibility to 200 senior branch managers.

He believes that Britain's banks owe some of their difficulties to their long-standing tendency to centralise decision-making.

In other words, it is banks' head offices – not their branches – which must take much of the blame, for laying down ordinances on lending and charging, which were followed mechanistically by demoralised branch apparatchiks.

Mr Pearse is trying to restore a sense of pride to the archetypal grey-suited person. He wants the branch manager to be born again as a "traditional banker", a figure of authority in local communities, serving companies as well as taking responsibility for personal customers.

The plan is to close down Midland's business centres, which were created to take responsibility for dealing with all but the bank's biggest corporate customers.

Within a year, their functions should be transferred to "200 old-style branches".

But Mr Pearse said the plan may take longer to implement, because of a scarcity of suitable candidates for the post of senior branch manager. Under the previous chairman, Sir Kit McMahon – who resigned in March following pressure from the Bank of England – Midland pensioned off many of its most experienced managers, as part of its attempts to cut costs.

"We lost a lot of people aged between 50 and 60", said Mr Pearse. "Those are the people I want."

However, Mr Pearse is on the whole complimentary of Sir Kit's attempts to restore Midland's profitability. Mr Pearse was head-hunted from Barclays by the Bank of England to take on Sir Kit's executive functions at Midland. Sir Peter Walters, former chairman of BP, succeeded Sir Kit as Midland chairman.

"The cost-cutting measures were initiated by Sir Kit". Mr Pearse said. "128 branches have been closed this year", leaving the bank with 1,870.

"There is not much more we can do to cut costs in the branch network", Mr Pearse added.

However he said there is considerable scope for reducing head office overheads.

But if profits are going to grow significantly in the coming years, Midland will have to push up income. Mr Pearse admitted that Midland has been less successful than Barclays, Lloyds and the TSB Group in selling life insurance products to its branch customers.

Midland spent much of the autumn talking to life companies – including BAT Group's subsidiary, Allied Dunbar – about the possibility of forming a close link. An alliance with an insurer could help Midland extend its range of insurance products and also improve its selling techniques.

In the event, however, Midland has decided to "go on alone in insurance". All negotiations with insurers have been dropped.

Mr Pearse's stress on Midland's independence is slightly surprising, given that it already has a life insurance joint venture with Commercial Union, the big composite insurer.

It is banks' head offices – not their branches – which must take much of the blame, for laying down ordinances which were followed mechanistically by demoralised branch apparatchiks.

However, CU's share of the joint venture is currently around 20 per cent and will eventually fall to nothing, according to Mr Pearse. Management of the operation rests almost entirely with Midland already.

He hopes that Midland's customers will, in the longer term, appreciate the bank's techniques for selling insurance, which are less aggressive than rivals'. Unlike other banks, Midland's insurance salesmen are not remunerated just from commission – though from January they will receive 40 per cent of their earnings from commission.The effectiveness of this strategy will be difficult to measure for years. In 1992, Midland's profits will be determined by one factor alone – "the level of bad debts".

On this painful issue, Mr Pearse defers to his deputy, Mr Brian Goldthorpe, who is in charge of Midland's lending. When Mr Pearse joined, there were concerns at Midland that there might be tensions between the two.

Mr Goldthorpe is a long-standing Midland banker with a track record similar to Mr Pearse's – in careers spanning 40 years, both men moved from branches in the north of England to management positions in City head offices.

But there is no sign that Mr Goldthorpe resents him as an interloper. Colleagues say they work well together.

"In the autumn, there were signs of an improvement in bad debts", said Mr Goldthorpe. "But we always feared that one swallow did not make a summer."

So it has proved. Receiverships and liquidations appear to be rising again, Mr Goldthorpe said. He stressed however that the bad debt charge in the second half of the current year may turn out to be less than in the first half to June, when Midland made a record provision for losses on UK corporate lending of £309m ($562m). Nonetheless the collapse of the late Mr Robert Maxwell's business empire augurs ill for any improvement, since Midland had loans to all Maxwell companies of £130m.

Analysts are forecasting that Midland will make a pre-tax loss of around £100m for the year. Mr Pearse refused to comment on these dire predictions, which would prevent the bank from paying a final dividend.

Midland would be the first UK clearing bank ever to disclose losses in a full financial year due to problems in its domestic operations rather than from bad loans to less developed countries. Mr Pearse will not be blamed. He is a newcomer and Midland has been in decline for years – probably since the 1950's.

But if its customers take fright at the poor figures and transfer their business elsewhere, his plans for reviving the bank will receive a serious setback.

The most senior manager at Midland is braced for a grim new year.

Brian Pearse: aims to give authority to branch managers

UK government may sell rest of BT shares

By Roland Rudd in London

THE UK government plans to sell the rest of its shares in British Telecom at the earliest opportunity, if it is returned to power at the next general election, which is due in 1992.

According to government advisers, ministers believe there is no reason to hold on to the rest of the government's holding.

The prospectus in the recent £6bn ($10.92bn) BT share sale said the government would not sell any of its residual shareholding before March 1993, when the third and last instalment of the partly-paid shares is due.

The government's percentage of BT stock has fallen from 47.7 per cent to 25.8 per cent, and is expected to fall to around 22 per cent after bonus shares are taken into consideration. Many commentators had expected the government to hold on to the rest of its BT holding for longer. But ministers believe hurdles preventing a final sale will have been surmounted by early 1993.

Oftel, the industry regulator, is to bring out its consultative paper on tightening the regulatory regime in January. Its conclusions are likely to be presented to BT in the autumn. A refusal by BT to accept Oftel's findings would prompt the regulator to refer the issue to the Monopolies and Mergers Commission. But such a referral would be expected to finish by March 1993.

The government may also sell or obtain a listing for the £2.2bn BT unsecured loan stock it controls. It is repayable at par at various dates between March 31, 1992 and March 31, 2006.

The government will only be able to put into effect its plans over its remaining BT shareholding if it wins the general election.

However, many analysts also believe a Labour government would find the temptation of selling the residual BT holding too difficult to resist.

Mr Laurence Heyworth, telecommunication analyst at Robert Fleming Securities, said: "There is little reason for the government – whatever its political complexion – to continue holding BT shares after March 1993."

Lex, Page 12

UK finance directors contemplate a rapid re-writing of accounts

Accountancy Notebook

By Andrew Jack in London

THE LATEST pronouncement from the UK Accounting Standards Board on the treatment of goodwill on disposals has added a jarring note to many UK finance directors' end-of-the-year celebrations as they contemplate some rapid re-writing of their accounts.

For accounting periods ending on or after January 23, 1992, the calculation of profit or loss on the sale of a business must reflect any goodwill written off against reserves when that business was first acquired.

The effect will be to reduce the profits at companies which have previously been able to prevent the goodwill element of any purchases being passed through the profit and loss account.

Rather than permitting the net asset value to be deducted from the sale price of an acquisition when it is sold, under the new regulations the profit or loss on disposal must reflect the full purchase price paid, including any goodwill element. The ruling applies only to acquisitions which have been consolidated, and in situations where goodwill has not been written off over a number of years.

The vast majority of British companies acquiring and then disposing of businesses will have to pay heed to the new ruling. "This is not a minor problem," said Mr David Tweedie, chairman of the ASB.

It is an issue to which he attaches considerable importance. Hence the ruling from Urgent Issues Task Force, which was established last July to deal with pressing accounting concerns and has already made two other pronouncements. "It is a temporary holding device to stamp out an accounting fiddle," said Mr Tweedie.

"Goodwill is one of the thorniest areas that we have, and we are out of step with most of the rest of the world," said the technical partner at one of the Big Six firms.

The ASB intends to undertake a more comprehensive analysis of goodwill in a forthcoming Financial Reporting Standard on acquisition accounting, which should be issued in draft form next year, and may be in place sometime in 1993.

In the meantime, the task force's "abstract" clarifies SSAP 22, the old Accounting Standards Committee's statement on goodwill, which discusses its treatment on acquisition, but does not specify how it should be treated during disposal except to say that it should be disclosed somewhere in the accounts.

Conglomerates including BTR and Williams Holdings have come under recent criticism for their accounting treatment of disposals after acquisition. A number of other notable examples of companies which have generated higher profit figures by writing off goodwill in reserves include:

- Grand Metropolitan, the international food, drinks and retailing group, declared an extraordinary profit of £461m ($839m) before tax in the year to September 30, 1990, generated from a series of disposals. However, note 25 in the accounts, which details movements on balance sheet reserves, records a loss of £378m on the transfer of goodwill on disposal. Deducting this loss would produce an extraordinary profit of only £83m for the year under the new regulations.
- Saatchi and Saatchi, the advertising group, showed a loss on the sale of subsidiaries of £32.1m for the year to September 30 1990, contributing to a total extraordinary loss of £73.9m. Note 16 in the accounts shows a loss of a further £152.2m on goodwill attributable to disposals, which would now give the company a total extraordinary loss of £226.1m.
- Thorn EMI, the music, rentals and lighting group, showed extraordinary losses of £60.6m for the year to March 31 1991. Including goodwill transfers of £19.1m would increase these losses to £79.7m.
- BET, the business services conglomerate, showed an extraordinary profit of £65.5m on some disposals and a loss of £56.4m on others, making a net profit of £9.1m in the year to March 30 1991. Adding back £22.5m of "goodwill released on disposal" from reserves, it made an extraordinary loss on all disposals of £13.4m.

"The most important thing is that accounts are prepared on a standard basis by different companies," said the finance director of a large British company. "There will only be resistance if there are alternative treatments. Otherwise people will settle down and accept it."

Companies should brace themselves for further shocks over the next few months. The task force has two more urgent accounting issues on its agenda: the presentation of long-term debtors and accounting for low-start finance.

Bullers suspended at 3.5p as creditors agree deal

By Bronwen Maddox

THE SHARES of Bullers, the lossmaking giftware, decoration and fine arts products manufacturer, were suspensed on the stock market on Tuesday at 3.5p as some of its creditors agreed to convert its debts into equity and subscribe for new shares.

At the same time the group announced that receivers were to be appointed to Jonathan Poole Galleries, set up in late 1990 to sell Soviet sculpture, and that a provision of £100,000 would be needed to cover trading losses in the second half of 1991 and the costs of closure.

The group has been incurring losses since shortly after its rights issue and ambitious expansion plan early in 1990, although it managed to reduce losses in the first half of 1991.

Gamlestaden AB, a Swedish financial institution which owns 3.4 per cent of the group, will subscribe for £500,000 new equity at 2.5p. It will also allow debts to it of £574,767 to be converted into equity at 2.5p a share, and allow its holding of variable rate preference shares to be converted at 6.5p a share into 11.5m ordinary shares.

These moves will give it a total holding of 48.44 per cent, and it will nominate the board's chairman and one other director.

The Takeover Panel has agreed to waive the normal requirement for Gamlestaden to bid for the remaining equity, although this dispensation will need approval by independent shareholders.

Other creditors, including Mr David Abramson and Mr Brian Schneider, directors of the group, will allow liabilities to them of £500,858 to be converted into ordinary shares at 2.5p.

The creditors' moves are conditional on approval of shareholders on January 16 1992, and on the lifting of the suspension of the shares. The group said that the suspension would last until the two Gamlestaden directors had been named, "pending clarification of the company's continued suitability for listing", but that it expected it to be lifted soon after the shareholders' meeting.

At a separate shareholders' meeting on January 13 the company will also seek approval for two disposals: Tallix Morris Singer, the US art foundry acquired early in 1990, for £675,000 to Mr Richard Polich, a former director; and Tallix Morris Singer, one of its UK branches, for £270,000 to a trust which has members of Mr David Abramson's family as potential beneficiaries.

The group reported that trading conditions at the two proposed disposals had been "very difficult" in the past year, but that the remaining foundry, Tallix Morrix Singer (Birmingham), was trading profitably.

However at Glenlomond, the Scottish manufacturer of wooden fire surrounds acquired for £2.4m in early 1990, trading "is well below expectation in the run-up to Christmas" because of the loss of staff to local competitors and a shortage of working capital, even though order levels have been "stable".

The Britannia Collection, the giftware division, has been profitable since July.

Gamlestaden and the board have resolved to consider whether "further orderly disposals" or acquisitions would restore profitability.

Lasmo to set up Ultramar Canada as separate company

By Roland Rudd

LASMO, the oil and gas group, intends to establish Ultramar Canada as a separate company as a first step in its disengagement from downstream activities after its recent takeover of of Ultramar.

A detailed review of the Canadian business is underway and a range of divestment options are being considered, including trade sales and public flotations. Lasmo hopes to sell the business within a year.

Mr Jean Gaulin, chief executive of Ultramar, has agreed to remain with the company to help with the downstream disengagement in both Canada and the US.

Lasmo is committed to fitting Ultramar's upstream activities into its own exploration arm, and selling refineries in California and Canada.

Mr Norman Davidson Kelly, said: "The refining and marketing activities in eastern Canada, where Ultramar has a leading market position, are of crucial importance. We firmly believe that there is a good future for these companies operating independently."

Ultramar's sizeable interests in Quebec and Nova Scotia have led the two Canadian provinces to express concern about the sale.

The Quebec and Nova Scotia authorities are understood to have made their concerns known to Investment Canada, the federal agency which reviews foreign investments.

The assets include a 120,000 barrel-per-day refinery in Quebec City, a small Halifax refinery and a chain of 1,500 petrol stations in eastern Canada. Ultramar also has a refinery and petrol stations in California.

Analysts believe the Canadian and Californian refineries will be difficult to sell. Mr Mark Dixon of UBS Phillips and Drew estimates that the Canadian assets are worth US$400m (£220m).

Trying to escape the Maxwell maze

Alan Friedman looks at the problems of a New York fund manager

MR ANDREW Smith is an angry man these days.

The former managing director of Mr Robert Maxwell's London and Bishopsgate International Investment Management (LBIIM) says he is "disturbed and pissed off" that there should be any questions raised about him or any "guilt by association" with the Maxwell group.

Mr Smith has not been accused of any wrongdoing, but his stated desire to distance himself from the Maxwell empire is complicated by the fact that he played a key role in forming LBIIM and its network of related companies.

The businesses are now the subject of inquiries by Britain's Serious Fraud Office over the withdrawal of more than £400m of Maxwell pension fund money by Mr Maxwell.

Mr Smith, 36, a graduate of the London School of Economics and former Oxford lecturer, is vice-chairman of London and Bishopsgate International Incorporated (LBII), the New York money manager that is 60 per cent owned by Headington Investments, one of Mr Maxwell's main holding companies.

Despite the similarity of names, there appears to be no direct connection between LBII and LBIIM other than their common ownership by the Maxwell family.

Federal officials say they are examining LBII's dealings in the context of their larger probe of foreign exchange transactions by Maxwell companies. Mr Smith says he has not been contacted to date by investigators.

Goldman Sachs, the New York investment bank which is under separate investigation in the US and UK over its share dealings with the Maxwell empire, has said it engaged in a number of foreign exchange trades earlier this year with LBII. But Goldman Sachs declined to discuss details of these transactions.

Although LBII also declines to comment on these transactions, it has been learned that they were foreign exchange transactions with a nominal value which reached a peak of several hundred million dollars earlier this year.

What is less clear is the nature of the transactions – and thus the financial risk to the parties involved. It is also not clear what portion of these foreign exchange dealings were executed by LBII on behalf of Maxwell-related companies.

LBII's foreign exchange transactions with Goldman Sachs on behalf of Macmillan and the Official Airline Guide, subsidiaries of Maxwell Communication Corporation, one of Mr Maxwell's two public companies, are said by financiers familiar with the transactions to have amounted to only $20m.

But these financiers say that LBII also engaged in foreign exchange transactions worth more than $100m with Goldman Sachs on behalf of a Channel Islands' vehicle called LBI Trading Guernsey. The Guernsey company is owned by Headington Investments.

Another LBII client was the Netherlands Antilles-based London and Bishopsgate International NV, an offshore mutual fund that was nicknamed "Hedge NV" by LBII and by traders at Goldman Sachs.

LBII is understood to have engaged in foreign exchange transactions of more than $100m for Hedge NV, with at least 10 per cent of Hedge's money believed to have come from Mr Maxwell's Guernsey company.

LBII advised on the hedging of currency risk and executed foreign exchange trades of around $100m with Goldman Sachs on behalf of Donohue, the Canadian paper company that is 26 per cent owned by Mirror Group Newspapers (MGN), Mr Maxwell's other public company.

On his commercial relations with Donohue, Mr Smith says that "we have nothing to do with their pension funds and they are not a Maxwell-related company."

The unwillingness of both LBII and of Goldman Sachs to discuss the foreign exchange dealings of Guernsey, Hedge NV and two other LBII clients involved in a further $100m of foreign exchange transactions last spring makes it difficult to assess the extent of the New York money manager's foreign exchange dealings with Maxwell companies.

Mr Smith's attempt to "just get on with my life" and avoid what he considers unfair guilt by association is complicated by three other factors – his close past business association with Mr Larry Trachtenberg, who appears to have been a central figure in the Maxwell pension funds affair; a related UK investigation into the affairs of Mr Sheldon Aboff, a former member of LBII's board of directors and associate of Mr Maxwell; and nervousness on the part of LBII clients, some of whom have withdrawn $90m of funds from Mr Smith's firm since Mr Maxwell died.

Larry Trachtenberg: had to surrender passport

Mr Smith's career has been closely intertwined with that of Mr Trachtenberg, a fellow American who has emerged as a leading figure in Mr Maxwell's withdrawal of money from Maxwell pension funds.

The two first joined forces in 1985 to form Global Analysis, a London consultancy Mr Robert Maxwell bought in 1987.

In 1988 Global was transformed into LBIIM, which at first received £20m of Maxwell company pension funds to manage; these grew to £50m by 1990. Mr Smith became managing director of LBIIM while Mr Trachtenberg was executive director in charge of finance and administration.

He says that in 1989, with Mr Maxwell's blessing, he set up LBII in New York, partly because Mr Smith's investment strategy based on stock indices were not well received in the City and it was thought US clients would be more receptive.

Mr Smith says he left London in March 1990, but he was still registered as a board member of LBIIM until December 1990. "I thought I had resigned in March," he says, explaining that he was listed as a director until the end of 1990 because of "sloppiness" by the company secretary.

Mr Smith declines to comment at length on Mr Trachtenberg, who has been forced by UK authorities to surrender his passport and was recently ordered by the High Court in London to provide information about the pension fund transfers.

Asked to describe his relationship with Mr Trachtenberg he first terms him "a good working associate." When pressed, he calls Mr Trachtenberg "a friend, but not a close friend."

When asked about Mr Trachtenberg and the pension fund transfers, Mr Smith replies: "I know nothing, absolutely nothing about that. Mr Maxwell kept things compartmentalised."

He says he last spoke with Mr Trachtenberg a few weeks ago: "I asked Larry if he knew the whereabouts of our [LBII] share certificates because we could not find them. We needed them because we were working on the management buy-out. I didn't ask Larry about the pension fund allegations."

Mr Smith, meanwhile, says he knows nothing about Mr Aboff, a former member of LBII's board and the close associate of Mr Maxwell who is being investigated in the UK over his receipt of a £3m loan, allegedly from Maxwell pension funds, to buy shares in MCC and in MGN.

Mr Aboff – whose UK assets have been frozen by court order – was one of a handful of directors named personally to the LBII board last September by Mr Maxwell. He resigned recently at LBII's request, along with Mr Kevin Maxwell, Mr Maxwell's son who served as chairman of LBII.

Mr Smith blames the publicity over the Maxwell affair as the reason why some of his clients recently withdrew $90m of funds, reducing LBII's portfolio to around $500m. He says he will win these funds back if he and LBII managers are permitted by Arthur Andersen, the court-appointed administrator of part of the Maxwell empire, to go ahead with a management buy-out of the 60 per cent of LBII owned by Mr Maxwell's Headington.

Mr Smith says that he is "squeaky clean" and that LBII, which manages about $20m of Maxwell-related pension funds, has had nothing to do with LBIIM or with the Maxwell pension fund transfers.

"I am very disturbed and pissed off that people are trying to make something of this. I genuinely have nothing to hide," he says, seated at his desk on the 28th floor of Maxwell Communication Corp.'s Manhattan headquarters.

Mr Smith adds he feels betrayed by the late Mr Maxwell. LBII is just a normal money manager, he says, with just one rub: "Our majority shareholder is under investigation."

Hunter Saphir disposes of Butterkist

By Peggy Hollinger

HUNTER SAPHIR, the herb, spice and food produce group, has disposed of Butterkist, the loss-making toffee popcorn business, for £2.9m. Hunter purchased the company for more than £15m four years ago.

Butterkist has been sold to Portfolio Foods, formed 18 months ago through a management buy-out of Hazlewood Foods' confectionery and snack foods business. It now claims to have 80 per cent of the £25m UK market.

Mr Nicholas Saphir, chairman of Hunter, said yesterday that write-downs in recent years had already negated the loss over the original purchase price and no additional expense would be incurred this year. The cost of 100 redundancies at the Butterkist factory – announced late on Friday – would be taken off the proceeds.

Mr Philip Courtenay-Luck, chief executive of Portfolio, said Butterkist's production would be transferred to the group's existing popcorn factory in Dagenham, thus wiping out "large overheads". Portfolio plans to invest a further £700,000 in combining Butterkist with Bard Brothers, its own popcorn business.

Hunter will retain the Butterkist factory and site – valued at £700,000 – while Portfolio has taken the fixed assets and brand name. The Butterkist brand accounted for £1.5m of the purchase price.

Mr Courtenay-Luck said he expected Butterkist, which incurred a loss of £500,000 in the first three quarters of the year, to return to profit this year. "Next year it will make a considerable contribution," he added.

Butterkist is one of three businesses which Hunter was determined to sell as it refocuses on herbs and spices. The other two are Matthew Walker and Emile Tissot.

Ziff Trust sells 11.5% holding in Blenheim

By Bronwen Maddox

BLENHEIM GROUP, the international trade exhibitions and conferences group, announced that the Ziff 1969 Trust, a trust set up by Mr William Ziff, the US publisher, had sold its 11.5 per cent stake in the company which it had bought in February.

Mr Neville Buch, Blenheim chairman, said: "I had expected Ziff to be a long-term holder and I admit I was a little surprised that they decided to sell – but it will not be an obstacle to the long-term trading relationship which the companies have had."

La Compagnie Immobilière-Phénix, a subsidiary of Compagnie Générale des Eaux, the French utility and media group, bought 2.96m shares of these shares, or 3.3 per cent of Blenheim, taking its stake to 15 per cent.

The balance of the stake was placed at 385p with about 20 large institutions between Wednesday and Friday by Blenheim's brokers Barclays de Zoete Wedd and Credit Lyonnais Laing.

Mr Ziff, chairman of Ziff Corporation, the New York publishing company which he founded, had bought the 11.5 per cent stake in early 1991 from Mr Lawrie Lewis, deputy chairman and co-founder of the group, when he resigned in May.

Ziff did not consult Mr Buch about that purchase, although Blenheim said subsequently that it regarded the move as friendly, and hoped it would help develop Blenheim's publishing business.

The Ziff 1969 Trust, one of several trusts set up by Mr Ziff for his children out of the proceeds of sales of his US businesses, paid 837½p in May – equivalent to 279p now after the August scrip issue.

Phénix acquired its first 4 per cent stake in the market in early July. Later that month it bought a further 8 per cent when Blenheim issued shares to finance the $36.5m (£19.6m) acquisition of Jewelry Shows, one of the leading US jewellery exhibitions. It paid the equivalent of 310p, a 10 per cent premium to the market price at that point.

Blenheim's plans for strategic co-operation with Phénix include the nomination of hotels in Paris owned by CGE for delegates at its Blenheim conferences and exhibitions, through which Blenheim would get a commission.

Moss Bros buys formalwear business

Moss Bros Group, the menswear concern, has acquired the Dormie Formalwear business from Sears Menswear for £775,000.

The business is being bought free of debt.

SmithKline and Merck link

By Daniel Green

TWO OF the world's biggest drug companies, Merck of the US and SmithKline Beecham of the UK are jointly to promote a Merck anti-cholesterol drug simvastatin, sold as Zocor.

Sales of anti-cholesterol drugs exceed $1bn (£500m) a year, but fierce competition means that the impact on company revenues will not be great, according to analysts.

The move signals a closer relationship between the two companies, although it is not unprecedented: in 1990, Merck joined forces with SmithKline to sell a hepatitis vaccine.

Details of this week's deal were not disclosed. The companies said that Merck would have future co-promotion rights to a SmithKline product.

SmithKline Beecham shares rose 18p to 808p on Tuesday, following the announcement.

Zocor is a reductase inhibitor, which lowers blood cholesterol levels by inhibiting the activity of an enzyme vital to the liver's manufacture of cholesterol.

NEWS DIGEST

Scargill says NUM should buy Mirror

THE National Union of Mineworkers' pension fund should buy Mirror Group Newspapers, Mr Arthur Scargill, the union's president, has recommended to the fund's trustees.

"I am satisfied that such a purchase would be an excellent investment and over the next few years bring an excellent return," Mr Scargill, who is vice president of the pension scheme, said in a recent letter to the 10 trustees.

His recommendation came despite the sustained campaign of the Daily Mirror against him over the alleged disappearance of union funds following the 1984 pit strike.

Mr Scargill said buying the paper would "allow our pension scheme to have ownership of a newspaper group which would have full editorial independence."

Only 50.1% accept Pict rights issue

Pict Petroleum, the small UK oil exploration company, announced that only 50.1 per cent of its £12m rights issue had been taken up by shareholders by 3pm on December 23.

Most of those acceptances were from Pict's 48.46 per cent shareholder, Amerada Hess, the US oil group, which is subscribing in full.

The two-for-five issue has been fully underwritten by Noble Grossart and sub-underwritten by Pict's existing institutional shareholders. The latter have taken up all the unsubscribed shares.

Mr John Lander, managing director, said "we are not surprised at the low level of acceptances in view of the currently depressed market through the whole oil sector." The group plans to use the cash to finance exploration in the UK and overseas so that production levels will not taper off towards the end of the decade.

I£30m purchase for Anglo Irish Bank

Anglo Irish Bank Corporation is to acquire the Irish merchant bank subsidiary of Hill Samuel, Hill Samuel (Ireland), for an estimated I£30m (£28m).

The transaction, which is subject to the approval of Anglo shareholders, completion by Anglo of the normal due diligence process and receipt of regulatory approvals, was agreed on December 24.

Anglo, which raised I£26m in a rights issue earlier this month, will increase its total assets by 60 per cent to I£1.2bn in the deal described by its chief executive, Mr Sean Fitzpatrick as the most "momentous occasion in our corporate history."

Anglo is now the biggest merchant bank in Ireland and the country's fourth biggest bank overall.

Hill Samuel (Ireland) specialised in lending to middle market, corporate and personal customers.

Ptarmigan holds acquisition talks

Ptarmigan Holdings, the food manufacturer, has announced that it is in talks with a third party which may or may not lead to a significant acquisition.

The company will make a further announcement not later than the end of next month and will at the same time produce its preliminary results for the year ended June 30 1991.

Peek expands traffic side in Scandinavia

Peek, the international traffic and field data systems com pany, is acquiring the road traffic operations of EB Signal for NKr60m (£5.3m).

NKr50m will be paid in cash, in two instalments. The balance will be satisfied by the issue of Peek ordinary shares.

EBS designs and markets traffic controllers, traffic supervisory systems, parking guidance systems and parking equipment.

Warburg in Italian joint venture

SG Warburg, the securities house, is to acquire a stake in the Italian broker and fund manager, Giubergia, of Turin, from the Italian financial holding company, ERSEL.

The joint venture, which builds on a long-standing co-operation agreement, will begin trading as Giubergia Warburg on January 7. Initially Warburg will hold a 40 per cent stake, although this will rise to 50 per cent in January 1993.

The underlying net asset value of the new company is L10bn (£4.6m). Mr Guido Giubergia, chairman of Giubergia Warburg, will become a director of SG Warburg Securities.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Jones & Shipman.

FUTURE DATES

Interims-

Banks (Sidney C)	Jan. 8
Peel Hldgs.	Jan. 17
Property Security Inv.	Jan. 7

Finals-

Aberdeen Trust	Jan. 7
Alexanders Hldgs.	Jan. 8
London Scottish Bank	Jan. 16
Regina Health & Beauty	Dec. 31

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 25.12.91 — Final Prices for Trading on 27.11.91

1/2 hour period	Pool purchase price	Pool purchase price	Pool selling price
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 26.12.91 — Final Prices for Trading on 28.11.91

1/2 hour period	Pool purchase price	Pool purchase price	Pool selling price
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 27.12.91 — Final Prices for Trading on 29.11.91

1/2 hour period	Pool purchase price	Pool purchase price	Pool selling price
[illegible]	[illegible]	[illegible]	[illegible]

IBM to supply Hitachi with language PCs

By Steven Butler in Tokyo

INTERNATIONAL Business Machines (IBM), the world's biggest computer company, has agreed to supply Hitachi, the Japanese electronics group, with its latest Japanese language personal computers for sale on an original equipment manufacturing (OEM) basis.

The agreement marks an important step for IBM in efforts to seek broader market acceptance in Japan for computer architecture standards agreed earlier this year with 22 Japanese companies which joined the IBM-led Open Architecture Developers' Group (OADG).

The operating system, known as DOS/V, is a derivative of the MS-DOS operating system used in IBM-standard personal computers elsewhere in the world. It is capable of running software written for ordinary IBM PCs as well as Japanese language applications.

Although IBM has been aggressively advertising products using DOS/V, it has remained unclear the extent to which other participants in the OADG would actively promote the new standard.

About 60 per cent of PCs sold in Japan use an operating system developed by NEC, the Japanese computer and electronics company. The system, however, is unique to Japan and cannot run software developed elsewhere unless the software is rewritten.

The balance of the market is fragmented among a number of manufacturers which use a variety of operating systems.

Hitachi, a member of the OADG group, said yesterday it would begin marketing IBM-manufactured notebook computers, the PS/55, under its own label in the spring. The initial sales target is 2,000 units a month.

"We recognise the operating system of the OADG organisation is superior," Hitachi said.

The company said it has decided to market an IBM-made machine rather than develop its own OADG standard computer in order to save on costs. This will be the first time for Hitachi to market OEM equipment. Hitachi will continue also to support computers using its own proprietary operating system and its Flora series, which is compatible with IBM AX computers.

The penetration of personal computers in the Japanese market is low compared with the US or Europe, although Japan is expected to be one of the world's fastest-growing markets in the years ahead. The fragmentation of the market among different operating systems has driven up the cost of both software and hardware. IBM has hoped to spur growth in the market, and to improve its own sales, by promoting common standards.

Testing time for French TV media

Alice Rawsthorn reports on La Cinq's bid to stave off collapse

THIS week, the shareholders of La Cinq, the struggling French television station, have been trooping in and out of the offices of the Conseil Supérieur de l'Audiovisuel, the watchdog for France's television system, in a desperate attempt to save the station from collapse.

If the CSA accepts their proposals, La Cinq will stay on air with a skeleton staff. If it rejects them, the station's future will be flung into doubt, and the shareholders – who include Hachette, the heavily-indebted French media group, and Mr Silvio Berlusconi, the Italian media mogul, with 25 per cent each, together with the French banks, Crédit Lyonnais, Société Générale and Crédit Commercial de France with smaller stakes – may face not only having to write off their investments but picking up a FFr3bn ($579m) bill for closing the channel.

Whatever the outcome, La Cinq's plight has serious implications for the rest of the French media. To some extent, its difficulties can be attributed to Hachette's over-ambitious management and lacklustre programming, but they also reflect the general pressures of an advertising downturn and piecemeal policy of government regulation that are affecting the whole French television system.

French television today is the product of the privatisation programmes implemented by successive governments during the mid-1980s and of the interventionist policy pursued by Mr Jack Lang, the socialist minister of culture, ever since.

Privatisation, which was accelerated under Mr Jacques Chirac's centre-right government between 1986 and 1988, was intended to offer more choice to viewers by bringing in private capital to finance new channels. This involved the launch of Canal Plus in 1984, of La Cinq two years later and of M6 in 1987, together with the privatisation of TF1 and an ambitious expansion plan for cable television.

Meanwhile, Mr Lang has used his power to impose controls on programme sourcing and advertising content. His aim has been to stimulate programme production in France while preventing French television from following the same path as Italy, where deregulation has heralded an anarchic scenario of dozens of different channels pumping out soft pornography and pulp programming punctuated by virtually unrestricted advertising.

In theory, the French should have emerged with the best possible combination of a number of successful channels using a healthy production industry to offer a wide choice of programmes. In practice, things have turned out very differently.

French television is dominated by one channel, TF1, which claims more than 40 per cent of the audience and the lion's share of advertising revenue. The rest, with the notable exception of Canal Plus, the successful pay-TV channel, are struggling to break even. The worst case of all, La Cinq, is fighting for survival after losing FFr1.12bn this year, a little more than its overall turnover.

The immediate issue is the fate of La Cinq. The French government has in the past tried to persuade first M6, and then Canal Plus, to take over the station. Having failed to do so, it has since stressed repeatedly that it will not take responsibility for the financial stability of a privately-owned TV station.

The Government's apparent disinterest is almost certainly heightened by the fact that two of La Cinq's main shareholders, Hachette and Mr Robert Hersant, proprietor of the Figaro newspaper, are politically aligned with the right wing opposition. Moreover, La Cinq's programming, which is heavy on soft pornography, has regularly fallen foul of the CSA.

What La Cinq really needs is a new injection of capital. But it is difficult to see where it could come from, given that the station's recent record is so poor. La Cinq's share of advertising fell from 16.5 per cent in 1990 to 13.5 per cent in the first half of this year and of audience from 12 to 10.9 per cent over the same period, according to the Carat media buying group.

Further, both main shareholders, Hachette and Berlusconi, already hold the maximum 25 per cent stakes allowed under French law.

Hachette, having searched in vain for new investment, has hammered out a cost-cutting package. Last week, Mr Yves Sabouret, appointed by Hachette to run La Cinq, announced plans to shed 292 of the station's 537 permanent staff and to operate with just 27 journalists.

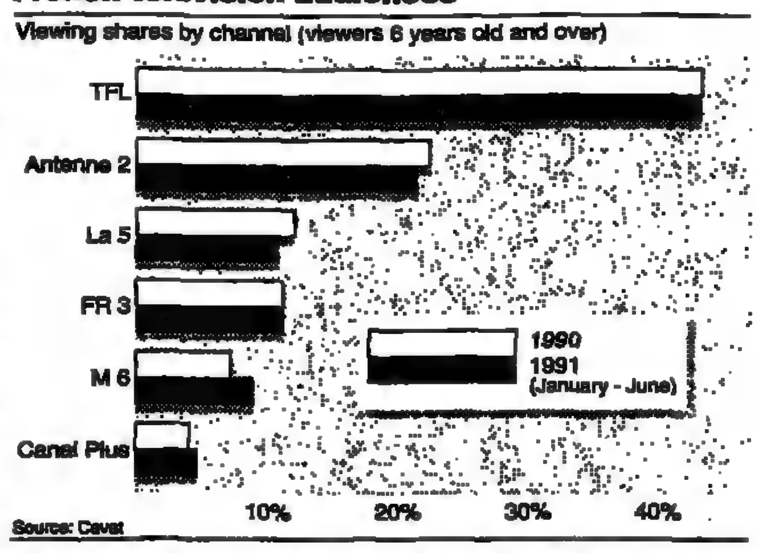
The plan, which has already run into fierce protests by the La Cinq staff, is now being perused by the CSA.

However, La Cinq's problems are inseparable from those of the rest of the TV scene. At some stage, the French government will have to address the issues of whether the power of TF1, run by the Bouygues construction group, is really compatible with a supposedly pluralist system; if it can justify continuing to support two state-owned channels in Antenne 2 and FR3; how to speed up the development of the fledgling cable TV networks; and whether controls over programme sourcing and advertising content are really compatible with a system where TV channels are left to sink or swim on an open market.

Given that Mr Lang is said to be watching the outcome of La Cinq scenario with particular interest, the trials and tribulations of France's fifth television channel may prompt the French government formally to address these issues sooner rather than later.

French television audiences

Viewing shares by channel (viewers 6 years old and over)



Source: Carat

Citicorp write-offs to be 'in line with expectations'

By Alan Friedman in New York

CITICORP, the biggest US bank that is struggling to contain losses and cut costs, said its loan write-offs and bad debt provisions for the fourth quarter would be "in line with management expectations" following an inspection by federal bank examiners from the Office of the Comptroller of the Currency.

The unusual announcement, which did not go into specific details, appeared to be an attempt by the bank to quell a series of stock market rumours of new losses. The bank's stock plunged to a 1991 low of $8¾ a share last week as a result of the rumours; yesterday, the share price stood at $10¼, up ¼.

Citicorp said it would announce fourth-quarter results on January 21. In the third quarter, the bank suffered a loss of $885m and halted its dividend.

Keefe Bruyette, the firm of banking analysts, is forecasting a break-even result for the fourth quarter, with loan write-offs of $1.1bn. In the fourth quarter of 1990, Citicorp had a net loss of $382m.

Earlier this week, Duff & Phelps, the credit rating agency, downgraded Citicorp's senior debt to Triple B plus from Single A minus.

Nothing for original TV3 investors

By Terry Hall in Wellington

THE sale of the operating assets of TV3, the New Zealand national television channel, to Canadian and Australian owners will leave the original investors in the public company that floated it with worthless paper, Mr Keith Smith, the receiver, has confirmed.

TV3 was placed in receivership 19 months ago by its main debenture holder, Westpac Banking Corporation, the Australian bank. Since then, it has been restructured, with its assets transferred to a new operating company – TV3 Network.

Under the new ownership structure, Can West Global Communications, the Canadian broadcaster, is acquiring a 20 per cent stake, with Westpac holding 48 per cent and the receiver holding the rest.

Under the deal, for an undisclosed price, Can West will invest C$410m (US$359.6m) and take over exclusive management control. It has rights to lift its stake to 50 per cent, as has Westpac. Shareholders in the original listed company who paid NZ$2.40 a share in 1988 will receive nothing.

Mr Smith said that as first debenture holder Westpac took priority in any return of funds and there was nothing left for ordinary shareholders. Westpac was said to be owed NZ$40m at the time of the receivership, and Mr Smith said it still faced a loss.

The collapsed company's assets include two legal actions against its founding shareholders and the state-owned Television New Zealand which owns the two competing channels.

Malaysia to sell Proton stake and speed second car plant

By Lim Siong Hoon in Kuala Lumpur

THE Malaysian government has announced that it will sell a minority stake in Proton, Malaysia's only car-maker, and is also speeding up plans for a second car plant.

Government officials say the second plant will bring together Peugeot of France and Japan's Daihatsu, with local equity and distribution interests. Peugeot and Daihatsu had been individually vying for government support to build a low-end range of cars so as to avoid directly competing against Proton.

Proton said this week that the Capital Issues Committee, which vets new listings on the Kuala Lumpur Stock Exchange, had approved the sale of an undisclosed shareholding.

The government, which currently controls 70 per cent, will continue to have equity control, with 45 per cent held through Heavy Industries Corporation of Malaysia.

Mitsubishi of Japan owns 26 per cent and Kuala Pura, a private investor, 4 per cent.

The Proton car, built with Mitsubishi technology, was introduced in 1985 and nearly 337,000 have been sold, 88 per cent of them in Malaysia where it has 60 per cent of the market. Annual capacity is 100,000.

The proposed sale of Proton is the second, after Edaran Otomobil Nasional, the local Proton distributor, from Hicom's stable of companies.

Stock exchange rules normally require a company to register five years of profitability before flotation. Proton posted its first pre-tax profit in the year to March 1989, with M$32m (US$11.7m) on turnover of M$820m. In the 1990-91 financial year, turnover rose to M$1.8bn and pre-tax profit to M$262m.

The sale will be one of the most significant of public assets in 1992. Tenaga Nasional, the electricity monopoly, is almost certain to be the highlight when up to 20 per cent is sold in May. Also included among 37 government-owned enterprises on the block are Sabah Gas Industries, a methanol producer; the post office National Savings Bank; Kedah Cement; and several new toll motorways.

The Tenaga sale will represent the biggest state divestment yet on the Kuala Lumpur Stock Exchange, but official statements on the flotation plans have also indicated the difficulties involved.

This is partly because of Tenaga's size and the availability of capital, as inflationary and interest rate pressures have exerted a toll on the performance of the stock market.

Initial plans to sell 25 per cent of Tenaga have been revised to include its dismemberment into a transmission and a distribution company. Tenaga's assets have been estimated by K&N Kenanga, a local stockbroker, at about M$11bn and debts at M$5bn.

If Tenaga is to be split, new and existing generating stations will have to be offered separately to other bidders.

US Treasuries remain steady in quiet trading

LAST week's cut in the US discount rate continued to provide support for US Treasury bond prices, but prices of US government securities were little changed in quiet post-Christmas trading, writes Alan Friedman.

Traders said the absence of many market participants and hesitance to make any substantial trades so close to the year-end reduced volatility.

The release of weekly initial unemployment insurance

GOVERNMENT BONDS

claims – down 20,000 to 473,000 in the week of December 14 – had little impact, as did the Federal Reserve's early intervention in the money market.

The benchmark 30-year Treasury bond was up by just $\frac{1}{32}$ at 105¼ yesterday, yielding 7.508 per cent. Two-year notes were unchanged yesterday, yielding 4.834 per cent at 100$\frac{5}{32}$.

■ French government bond prices shrugged off news that the country's unemployment rose to another record high in November, and finished a dull session with slight losses, Reuter reports from Paris.

The Labour Ministry announced that the seasonally-adjusted jobless total rose to 2.83m in November, a rise of 29,500, or 1.1 per cent, from October. The unemployment rate rose to 9.8 per cent from 9.7 a month earlier.

The March bond future stayed trapped in a tight range, falling eight basis points to 106.90 on volume of 6,639 lots.

The yield on the key 9.50 per cent OAT due 2001 closed at 8.78 per cent compared with 8.74 before Christmas.

■ The Japanese bond market rose yesterday ahead of President George Bush's visit to Japan early next year, Bloomberg Business News reports from Tokyo.

The market expects Mr Bush to press for action on Japan's swelling trade surplus, calling for lower Japanese interest rates and a stronger yen to stimulate the country's flagging economy and reverse declining demand for imports.

Mr Cameron Umetsu, an analyst at MMS International, said the market believes "we are going to have a stronger yen and lower rates and they are raging ahead on that". However, the strength of yesterday's rally took many dealers by surprise, he said.

The benchmark No 129 10-year government bond rose 0.32 to 105.30 to yield 5.462 per cent, an all-time low yield. The government bond futures contract for March delivery also posted a record high, rising 0.38 to 102.33.

■ The German and UK bond markets were closed yesterday.

Correction

Dai-Ichi Kangyo Bank

MR TADASHI OKUDA, named as president of Dai-Ichi Kangyo Bank as from next April, joined Nippon Kangyo Bank in 1955. This was incorrectly stated as 1948 in Saturday's FT.

SA Breweries buys 54% of Placor for R320m

By Philip Gawith in Johannesburg

SOUTH AFRICAN Breweries (SAB) is to pay R320m ($115.5m) for a 54.6 per cent stake in Plate Glass (Placor) group, the country's largest glass company.

This comes a week after it was announced that Plate Glass and Shatterprufe Industries (PGSI), the operating company in the Placor group, was paying R525m for a 48.4 per cent stake in Glass SA held by Pilkington, the UK glass group.

SAB will acquire the stake from Liberty Life, the South African insurance company, and the Lubner and Brodie families. SAB will issue one SAB automatically-convertible preference share for every two Placor shares.

When the deal was announced, SAB shares were quoted at R53.75 in Johannesburg. This placed a value of R27 on each Placor share, a 20 per cent premium over Placor's price of R22.50. A similar offer will be made to minorities when the deal becomes unconditional.

SAB says the investment provides a big diversification for its consumer-related interests. PGSI's main activities are the manufacture and distribution of glass and wood-based products and substantial international interests, focusing on serving automotive glass replacement markets in the UK, Europe, Australia and the US.

Isuzu suspends dividends after plunging into the red

By Steven Butler

ISUZU, the Japanese vehicle-maker in which General Motors of the US holds a 37.4 per cent stake, has suspended its dividend payment after plunging into the red in the year to the end of October, posting a pre-tax loss of Y48.38bn ($382.4m), compared with a profit of Y15.37bn last year.

Isuzu blamed the loss on weak demand for vehicles in its principle markets, particularly the US and Japan. The poor sales results came at a time of increased spending on research and development, and sharply rising interest expenses.

GM earlier this month moved to tighten control over the Isuzu management by sending two senior GM executives to join the Isuzu board and take charge of corporate planning. Isuzu none the less said it expected to post a further loss in the current fiscal year amounting to Y26bn at the operating level, compared with a Y42.58bn operating loss in 1991.

Isuzu sales fell by 4.2 per cent to Y1,146bn. Domestic sales rose by Y6.2bn to Y616.8bn, while exports were off by 9.2 per cent to Y528.8bn. In the domestic market, small and large trucks and buses both showed gains, while cars and light vans declined.

Exports were hit hardest. Total vehicle sales were 498,579, with all but 1,799 of the 75,795 unit decline coming out of exports, which totalled 299,615. While truck and bus sales gained in Japan, exports of small trucks and buses were off by 21 per cent to 180,104 units. Total vehicle exports fell by 19.8 per cent to 299,615 units.

Isuzu said it expected sales of large trucks and passenger cars to continue declining, although it projected that a rise in the sales of small trucks and buses would lift total vehicle sales to 511,000 units in the current year.

While the value of sales declined in 1991, the cost of sales and general management expenses rose from Y94.5bn to Y109.7bn. Interest expenses increased sharply from Y14.2bn to Y20.4bn. Net earnings after tax fell from Y7.64bn to a loss of Y47.18bn.

The company said its principle goal would be to return to profitability and that this would be accomplished by focusing its energies on commercial vehicle sales, rationalising production, strengthing the domestic sales force and rationalising and cutting costs in North America.

As part of its efforts to help nurse Isuzu back to health, GM has agreed to import more Isuzu-made transmission units to the US and more Isuzu-made diesel engines to Germany. GM itself last week announced a sweeping restructuring of its North American operations involving 70,000 job losses.

● Fitch Investors Service, a credit rating agency, yesterday lowered its rating of General Motors senior debt, but maintained a relatively high rating for the commercial paper issued by the General Motors Acceptance Corporation (GMac), the group's financial services arm, writes Alan Friedman in New York.

Fitch lowered GM's senior debt from AA minus to A plus. The rating on GMac commercial paper was downgraded to F-1 from F-1 plus. In Fitch's rating system, F-1 plus is exceptionally strong while F-1 is "very strong."

GMac is the second biggest issuer of commercial paper in the US, with more than $23bn outstanding. Moody's and Standard & Poor's, the two largest credit rating agencies in the US, are reviewing the rating on GMac's commercial paper.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed steady on Christmas Eve on the London bullion market in almost stagnant pre-holiday trade. Dealers said there was virtually no business going on but precious metals were entering the New Year on a firm note. Monday's Wall Street rally to the highest level for the Dow Jones since August improved sentiment in the white metals in the wake of last week's dive in platinum prices. Gold is underpinned by the political crisis in the Soviet union coupled with the continuing decline in US interest rates and consequent fall in the dollar, dealers said. Platinum was fixed lower amid some end-of-year book squaring. On the LME copper market sentiment was depressed by news of an 8,625-tonne rise in warehouse stocks. Analysts see the market testing $2,135 for three-month metal in the New Year. A rise of 900 tonnes in nickel stocks to 12,102 tonnes – the highest level since October 1984 – reflected further arrivals of Soviet cathodes as well as Western origin briquettes. Three-month nickel tested the $7,200-a-tonne level, but closed above it. Aluminium stocks, already at record levels, rose by a further 16,875 tonnes to 954,925 tonnes.

US markets were open yesterday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB) 23/12/91		+ or -
Dubai	$14.45-4.50q	
Brent Blend (dated)	$17.55-7.65	
Brent Blend (Feb)	$17.50-7.55	
W.T.I. (1 pm est)	$18.65-8.70q	

Oil products 24/12/91 (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-199	
Gas Oil	$170-172	+1
Heavy Fuel Oil	$66-67	-1½
Naphtha	$188-188	+1
Petroleum Argus Estimates.		

Other		+ or -
Gold (per troy oz)♣	$359.75	+0.20
Silver (per troy oz)♣	392.00c	+1.00
Platinum (per troy oz)	$339.85	-2.40
Palladium (per troy oz)	$80.25	+0.10
Copper (US Producer)	102.7c	
Lead (US Producer)	37.2c	
Tin (Kuala Lumpur market)	14.73r	
Tin (New York)	258.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.87p	
Sheep (dead weight)†	174.57p	
Pigs (live weight)†	90.62p	
London daily sugar (raw)	$232.2z	+0.70
London daily sugar (white)	$272.5z	
Tate and Lyle export price	£231.5	
Barley (English feed)	£125.5y	
Maize (US No. 3 yellow)	£147.5y	
Wheat (US Dark Northern)	£101	
Rubber (Feb)♥	47.75p	
Rubber (Mar)♥	48.00p	
Rubber (KL RSS No 1 Jan)	213m	+1
Coconut oil (Philippines)§	$580t	+5
Palm Oil (Malaysian)§	Unq.	
Copra (Philippines)§	$420t	
Soyabeans (US)	£142.5	-4.0
Cotton "A" Index	61.35c	
Wooltops (64s Super)	415p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Jan/Feb u-Jan/Mar y-Jan z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	195.00	194.60	195.00 194.20
May	195.00	193.00	193.60
Aug	193.00	193.00	190.00
Oct	193.00		192.00

White	Close	Previous	High/Low
Mar	275.5	273.6	273.5

Turnover: Raw 157 (255)lots of 50 tonnes. White 5 (307)
Paris- White (FFr per tonne): Mar 1461.26, May 1463.39

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	17.83	17.65	17.88 17.73
Mar	17.78	17.63	17.82 17.68
Apr	17.64	17.59	17.64
May	17.45	17.46	17.45
Jun	17.60	17.51	17.50
IPE Index	17.47	17.82	

Turnover 4163 (12041)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	168.75	165.75	168.25 168.50
Feb	169.50	167.50	170.00 168.00
Mar	167.25	168.25	168.00 166.75
Apr	163.50	163.75	166.50 163.50
May	162.25	162.25	
Jun	164.75	162.00	
Jul	167.00	164.25	167.00

Turnover 3855 (10588) lots of 100 tonnes

JUTE
January/February; c and f Dundee; BTC $380, BWC NA, BTD $365, BWD $405; c and f Antwerp, BTC $360, BWC $360, BTD $360, BWD $360.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	775	768	779 763
May	800	790	804 788
Jul	824	815	827 815
Sep	848	838	845 838
Dec	879	867	869 867
Mar	906	895	902 900
Sep	951	940	941

Turnover: 1720 (3082) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.23 873.86 (876.04) 10 day average for Dec.24 878.46 (878.16)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	1017	998	1012 1007
Mar	1010	1003	1014 1005
May	1015	1010	1015 1012
Jul	1022	1018	1020
Sep	1035	1033	1036 1035

Turnover:131 (361) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.23: Comp. daily 62.11 (61.73) 15 day average 63.21 (63.50)
Sterling close: January £552 , March £ 549

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Mar	123.0	120.0	
Apr	122.5	122.5	123.0 122.0
May	142.0	142.0	

Turnover 67 (253) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	-	121.50	

Turnover 0 (11) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jan	1540	1536	1535
Feb	1553	1550	
Apr	1663	1559	
BFI	1494	1500	

Turnover 3 (104)

GRAINS – London FOX £/tonne

[illegible]	Close	Previous	High/Low
Jan	125.75	126.70	126.85 125.75
Mar	129.25	129.15	129.25
May	132.75	132.60	132.75 132.60
Jun	134.35	134.30	134.40 134.35
Sep	111.75		112.00 111.50
Nov	115.50		115.50

Barley	Close	Previous	High/Low
Jan	119.20	119.00	119.20 119.00
Mar	122.60	122.35	122.60 122.40

Turnover: Wheat 182 (142). Barley 170 (84).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	108.5	108.0	108.2
Feb	107.0		107.0
Mar	107.5		107.5

Turnover:30 (1) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx		130.05			
Jan	131.00				
Mar	130.80				

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

TRADED OPTIONS

Brent Crude	Feb	Mar	Feb	Mar
1700				
1750		100		
1800		74		

[illegible]

New York

[illegible]

Chicago

[illegible]

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday December 24 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Dec 23 Index No.	Fri Dec 20 Index No.	Thu Dec 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (180)	717.84	+1.5	9.43	6.71	13.57	34.30	706.97	713.21	721.53	719.27
2	Building Materials (23)	840.08	+2.4	8.29	7.41	16.29	46.51	820.50	825.60	835.82	978.98
3	Contracting, Construction (29)	833.43	+1.3	8.97	8.90	16.34	51.42	822.60	823.87	833.45	1121.92
4	Electricals (10)	2281.58	+0.7	10.57	6.49	12.04	98.23	2266.56	2283.13	2285.87	1892.21
5	Electronics (26)	1675.92	+1.4	10.97	5.13	11.56	53.94	1652.81	1670.22	1679.11	1541.09
6	Engineering-Aerospace (8)	322.74	+1.2	16.74	8.05	7.27	18.52	318.78	321.55	323.81	403.36
7	Engineering-General (43)	447.61	+1.0	10.72	5.61	11.51	18.20	443.27	446.95	449.76	364.18
8	Metals and Metal Forming (9)	299.38	+2.4	2.11	11.75	–	25.83	292.51	286.87	287.73	403.29
9	Motors (12)	279.11	+1.2	9.27	8.63	14.32	17.56	275.93	279.25	282.44	294.24
10	Other Industrial Materials (20)	1434.14	+1.5	8.35	5.71	14.26	59.05	1413.04	1434.12	1462.61	1243.95
21	CONSUMER GROUP (189)	1517.21	+1.2	7.72	3.63	15.96	40.73	1499.05	1508.19	1520.21	1224.58
22	Brewers and Distillers (23)	1887.09	+0.4	8.95	3.76	13.50	49.14	1879.93	1889.60	1899.96	1591.91
25	Food Manufacturing (19)	1199.64	+1.0	9.85	4.23	12.48	37.32	1187.44	1187.59	1190.05	1032.12
26	Food Retailing (17)	2309.85	+1.6	10.03	3.59	12.96	65.37	2273.64	2275.58	2270.52	2281.68
27	Health and Household (24)	4078.10	+1.9	5.04	2.36	22.80	72.62	4000.57	4015.23	4079.33	2552.46
29	Hotels and Leisure (24)	1183.64	+1.3	8.78	5.72	14.11	45.61	1168.26	1176.58	1175.43	1205.61
30	Media (23)	1329.39	+1.1	7.11	4.04	17.69	48.36	1315.36	1332.47	1340.95	0.00
31	Packaging, Paper & Printing (17)	693.66	+0.6	7.78	4.79	15.58	24.43	689.22	698.53	703.04	522.34
34	Stores (32)	939.93	+1.0	7.84	3.96	16.87	26.77	930.75	944.46	956.60	777.47
35	Textiles (10)	572.75	+0.5	8.09	5.42	15.77	22.28	569.69	577.39	580.22	411.36
40	OTHER GROUPS (112)	1151.48	+1.4	10.55	5.83	11.95	40.33	1135.83	1142.94	1154.24	1009.36
41	Business Services (13)	1309.33	+2.9	7.71	5.08	16.48	46.93	1272.97	1287.26	1305.22	0.00
42	Chemicals (21)	1331.91	+0.7	7.60	5.51	16.27	54.35	1322.19	1330.78	1352.39	1045.01
43	Conglomerates (11)	1247.79	+3.7	12.08	8.61	10.05	44.87	1203.24	1208.70	1249.41	1291.13
44	Transport (14)	2230.25	+1.0	5.75	5.07	22.89	79.12	2208.13	2228.61	2250.98	1899.25
45	Electricity (16)	1187.19	+1.2	15.28	6.26	8.52	27.53	1173.35	1180.17	1194.69	0.00
46	Telephone Networks(4)	1367.71	+0.7	11.47	4.58	11.38	30.42	1357.86	1361.57	1359.97	1164.99
47	Water(10)	2194.10	....	19.46	7.25	5.66	151.44	2192.80	2214.40	2237.81	2188.87
48	Miscellaneous (23)	1674.56	+1.9	5.98	5.93	23.02	75.10	1642.57	1658.00	1656.61	1569.52
49	INDUSTRIAL GROUP (481)	1199.31	+1.3	8.91	4.86	14.03	39.66	1183.68	1191.52	1202.49	1035.33
51	Oil & Gas (19)	2139.78	+1.6	11.96	6.55	11.06	104.27	2105.65	2110.22	2185.22	2341.88
59	500 SHARE INDEX (500)	1281.89	+1.4	9.26	5.06	13.62	44.82	1264.75	1272.46	1288.09	1142.54
61	FINANCIAL GROUP (90)	699.53	+2.4	–	6.67	–	34.41	682.86	685.90	696.78	712.63
62	Banks (9)	834.21	+3.2	4.73	6.36	41.83	38.97	808.67	814.61	822.27	755.73
65	Insurance (Life) (6)	1408.51	+2.9	–	6.06	–	63.68	1368.96	1358.92	1376.80	1276.23
66	Insurance (Composite) (7)	478.45	+3.5	–	9.11	–	32.94	462.25	464.94	483.91	618.77
67	Insurance (Brokers) (10)	963.83	+2.1	8.46	6.95	15.56	49.46	944.13	964.33	978.78	994.74
68	Merchant Banks (7)	438.86	+0.2	–	4.88	–	16.06	437.79	442.65	448.10	358.51
69	Property (35)	791.13	+0.4	6.20	5.95	23.57	33.34	787.79	784.14	797.31	967.39
70	Other Financial (16)	225.91	+0.4	11.91	7.74	10.57	13.03	225.10	227.81	229.99	253.63
71	Investment Trusts (69)	1119.97	+0.8	–	3.89	–	31.82	1113.53	1116.90	1120.53	1008.16
99	ALL-SHARE INDEX (659)	1142.61	+1.5	–	5.22	–	41.78	1126.05	1132.66	1146.78	1036.52

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 23	Dec 20	Dec 19	Dec 18	Dec 17	Year ago
FT-SE 100 SHARE INDEX♦	2384.4	+39.0	2385.4	2369.3	2345.4	2358.1	2391.6	2413.6	2432.9	2156.3

FIXED INTEREST

	PRICE INDICES	Tue Dec 24	Day's change %	Mon Dec 23	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	121.15	+0.09	121.05	1.82	12.18
2	5-15 years (27)	134.56	+0.12	134.40	2.24	13.36
3	Over 15 years (8)	143.11	+0.15	142.90	1.34	13.69
4	Irredeemables (6)	157.97	-0.29	158.43	2.03	13.68
5	All stocks (69)	132.62	+0.11	132.48	2.05	13.15
	Index-Linked					
6	Up to 5 years (2)	166.73	+0.02	166.70	0.87	3.16
7	Over 5 years (9)	146.38	+0.03	146.34	0.66	4.64
8	All stocks (11)	148.07	+0.03	148.03	0.69	4.51
9	Debs & Loans (62)	113.97	+0.01	113.96	2.10	10.75

	AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 24	Mon Dec 23	Year ago (approx.)
	British Government				
1	Low	5 years	8.98	8.99	10.03
2	Coupons	15 years	9.47	9.45	10.26
3	(0%-7¾%)	20 years	9.47	9.45	10.28
4	Medium	5 years	9.91	9.91	11.11
5	Coupons	15 years	9.57	9.58	10.61
6	(8%-10¾%)	20 years	9.52	9.53	10.48
7	High	5 years	10.13	10.13	11.22
8	Coupons	15 years	9.64	9.64	10.79
9	(11%-)	20 years	9.57	9.57	10.66
10	Irredeemables	†	9.69	9.65	10.40
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.11	4.10	4.09
12	Inflation rate 5%	Over 5 yrs.	4.42	4.42	4.16
13	Inflation rate 10%	Up to 5 yrs.	3.45	3.43	2.75
14	Inflation rate 10%	Over 5 yrs.	4.24	4.23	3.98
15	Debs &	5 years	11.36	11.36	12.53
16	Loans	15 years	11.14	11.14	12.32
17		25 years	10.93	10.93	12.12

♦Opening index 2373.5; 9 am 2369.5; 10 am 2379.6; 11 am 2385.2; Noon 2383.9; 1 pm 2; pm 2.30; pm 3; pm 4.10; pm (a) 10.40am; (b) 9.02am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

TUESDAY'S RISES AND FALLS

	Rises	Falls	Same
British Funds	19	10	53
Other Fixed Interest	5	0	14
Commercial, Industrial	310	78	1,104
Financial & Property	185	32	562
Oil & Gas	20	5	66
Plantations	1	0	9
Mines	29	17	106
Others	50	3	90
Totals	619	145	2,004

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
1	Nil	–	2pm	½pm	Chessex 5p	½pm	
34	Nil	–	5pm	4pm	Cliff Resources	4pm	
12½	Nil	–	5½pm	2½pm	Oceonics	4pm	
148	Nil	–	22pm	10pm	Unichem 10p	21pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ¤ Unit comprising of 5 Ords and 1 Warrant.

LONDON TRADED OPTIONS

[illegible]

Option	Feb	May	Aug	Feb	May	Aug
Brit Aero (*316) 300	27	29	32½	7	20	20
330	10½	13½	19	18½	35½	37½

Calls 5,194 Puts 4,345
FT-SE Index Calls 1,801 Puts 2,294
Euro FT-SE Calls 637 Puts 712
Eurotrack 100 Index Calls 3 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings — Dec. 16
- Last Dealings — Jan. 3
- Last Declarations — March 19
- For settlement — March 30

Calls in Hunterprint, Kunick, J. Laing, J. Mowlem, Premier Cons., Securiguard, Smith & Nephew, Wheway and G. Wimpey. Puts in T. Cowie, J . Laing, J. Mowlem and G. Wimpey. Puts and calls in Tiphook.

3-month call rate indications are shown on this page.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	Ladbroke	21	Sears	8	■ OILS	
Allied-Lyons	50	Comm Union	40	Legal & Gen	33	SmKl Bchm A	60	Aviva Pet	2
Amstrad	4	Courtaulds	38	Lex Service	18	TI	39	BP	26
Astec (BSR)	5	Eurotunnel	35	Lloyds Bank	30	TSB	11	Burmah Castrol	44
BAT Inds	58	FKI	5	Lonhro	19	Tesco	21	Conroy Pet	7
BOC	48	FNFC	6	Lucas Inds	12	Thorn EMI	65	Gaelic Res	1
BTR	38	Forte	21	Marks Spencer	23	T & N	14	Premier Cons	4
Barclays	34	GKN	26	Midland Bank	18	Unilever	80	Shell	40
Blue Circle	20	Gen Accident	40	NatWest Bank	28	Vickers	15	Tuskar Res	1
Boots	33	GEC	16	P & O Dfd	41	Wellcome	70	Ultramar	20
Bowater	55	Glaxo	75	Racal Elect	6	■ PROPERTY		■ MINES	
Brit Aerospace	30	Grand Met	67	RHM	21	Brit Land	24	RTZ	44
British Steel	10	GRE	11	Rank Org	52	Land Sec.	41		
Brit Telecom	27	Hanson	16	Ratners	9	MEPC	38		
Cadburys	35	ICI	96	Reed Intl	38	Mountleigh	3		

[illegible]

Chicago

LONDON STOCK EXCHANGE

Merry Christmas Eve for UK shares

By Terry Byland, UK Stock Market Editor

THE UNEXPECTED overnight upsurge on Wall Street caught the London marketmakers unawares on Christmas Eve and UK stocks bounded ahead, adding nearly 40 points to the FT-SE Index. By the 12.30pm close of trading, the Footsie was within 16 points of the important 2,400 mark, while the December contract on the index had narrowly regained this benchmark level.

At the day's high point, the Footsie was 40 points up at 2,385.4 and this level was almost held until the end of the trading session. The final reading of 2,384.4 left a net advance of 39 points.

US fund managers, disenchanted by the reduced returns now offered on cash, turned to buying equities in New York and continued their activities in the London market.

Account Dealing Dates

*First Dealings:	Dec 9	Dec 30	Jan 13
Option Declarations:	Dec 23	Jan 9	Jan 23
Last Dealings:	Dec 27	Jan 10	Jan 24
Account Day:	Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

Although very modest, the US interest inconvenienced London marketmakers, who had instructed dealers to keep trading books in balance over Christmas and therefore had no stock to meet the sudden demand. Share prices were marked up strongly in an attempt to ward off the buyers without at the same time bringing on an avalanche of sellers – in other words to avoid doing business at all.

These manoeuvres brought on a squeeze in the stock index futures, where the December contract on the Footsie, which had also been comfortably positioned close to parity with the underlying index for expiry on the last day of the year, quickly moved to a premium of around 10 points.

There was not a great deal of genuine activity, however. Domestic investment had largely closed down for the holiday period and the surge in the New York market was not enough to bring UK fund managers hurrying to the City.

Continued firmness in sterling helped equities but did nothing to soothe underlying concern over the outlook for UK base rates. The gain in the London market was in line with other markets in Europe, where interest rates have been raised in response to the increase in lending rates by the Bundesbank.

The sharpest gains in UK equities came in US-orientated issues, where Reuters, Glaxo and Wellcome stood out well. BP and the rest of the oil sector rallied hopefully from the falls recorded earlier in the previous session; there was some US support for the blue chip oil issues but worries about the outlook for crude oil prices continued to restrain buyers.

Little recovery was seen among the domestic retail stocks, which are braced for a poor Christmas selling season. Marks and Spencer and GUS managed to edge slightly higher but lagged well behind the rest of the equity market. The uncertain outlook for consumer spending in the face of upward pressures on interest rates also held back some brewery shares. Bass, in particular, proved unable to join in the general improvement in the stock market.

Tax-related trading remained a feature of equities. While few fund managers would take the risk of selling on Tuesday without being able to repurchase before the end of the week, there were still many large repurchase deals.

Many of these deals were reported only around the end of Tuesday's curtailed trading session, which recorded a relatively high Seaq volume figure of 373m shares, compared with 626.8m for the preceding full-day session.

Focus on Zocor accord

PHARMACEUTICALS group **SmithKline Beecham** staged a good advance after news that it was joining forces with US company Merck over the marketing of a new drug in the US. The two groups signed a letter of intent to co-promote an anti-cholesterol drug called Zocor.

The drug, developed by Merck, had recently received approval from the US Food and Drug Administration. The joint marketing agreement was unexpected and observers were positive over the prospects.

Dr Erling Refsum, pharmaceuticals analyst with Nomura Research, said: "Anti-cholesterol drugs are the next blockbuster series, and this is a sensible business deal which will have an immediate impact on the bottom line. We reckon it will add between £10m and £20m to SmithKline's profits next year."

Mr Nigel Barnes of Hoare Govett commented: "It is very good news. This is a fast-growing market."

SmithKline moved ahead 18 to 808p in a strong overall market, with 1.7m shares changing hands. The stock was further helped by the overnight strength on Wall Street, where the shares are traded in the form of American Depositary Receipts.

The rally on Wall Street on Monday gave a fillip to most international stocks. **Hanson** appreciated 7½ to 196½p, **Rothmans International** finished 22 stronger at 1021p, **Glaxo** bounced 18 to 795p, **Wellcome** firmed 15 to 955p and **Reuters**, which has attracted considerable institutional interest recently, climbed 21 to 964p.

TI and **Siebe**, which both have a strong presence in the US, also stood out, the former closing 11 better at 516p and the latter rising 13 to 497p.

Brewery concern **Bass** was one of the very few weak spots in the Footsie 100, the shares easing 2 to 987p. Most of the UK Holiday Inns are directly owned by a Bass subsidiary, and there was some disappointment that a Holiday Inns franchise holder was pulling out after 20 years.

Water shares ebbed slightly on a mark-down, after having improved on Monday following an announcement that Ofwat, the industry regulator, would allow **South West Water** to raise its charges over the next three years. The increase in the company's charging limit was at the top of expectations.

Severn Trent and **Wessex** both slipped a penny to 320p and 366p respectively. **Yorkshire** lost 2 to 354p but **South West** gained a penny to 325p.

Oil group **Lasmo**, which won control of **Ultramar** last week, picked up 7 to 223p after announcing that it planned to sell Ultramar's Canadian refineries.

The company said in a statement: "Lasmo's long-term strategy is to remain a pure upstream exploration and production company . . . accordingly, Lasmo intends to disengage from (Canadian) downstream activities in a manner and a time frame aimed at maximising shareholder value." It added that it was considering a range of options for disposal, including flotation. Ultramar put on 7 to 259p.

The banks rallied well, with **Standard Chartered** improving 9 to 407p, **Midland** 13 to 209p, **Barclays** 14 to 373p and **Lloyds** 11 to 380p. **Anglo Irish**, which announced an agreement to buy the Irish merchant banking arm of Hill Samuel, a subsidiary of TSB, moved forward 3 to 50p.

The most heavily traded stock was **Asda**, with turnover of 62m shares recorded on the Seaq ticker. However, the trades were done early in the morning and at 21p – a large discount to the quoted price. This is the usual method for tax-related "bed and breakfast" deals. Asda gained half a penny to 31p.

ECC bounced 12 to 460p after speculation began to fade that it might launch a friendly bid *for Steetley (up 6 at 103p).*

Insurers were strong, with **Royal** rallying 14 to 230p on *negligible genuine business* and **Commercial Union**, which has very little exposure to mortgage guarantees, bouncing 17 to 455p. The sector suffered earlier in the week after **Sun Alliance** (4 firmer at 270p) announced that it expected to lose £320m from the mortgage indemnity side of its business.

Outside the Footsie, **Harvey & Thompson** tumbled 23 to 156p after revealing a full-year loss of £11.66m, against a profit of £2.08m for the previous year. It also reported that it was selling the pawnbroking side of its business for £14.5m to Cash America Investments, of the US.

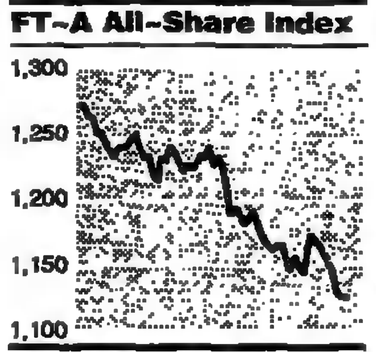
Independent oil exploration concern **Pict Petroleum** was held down to 80p after announcing that only 50.1 per cent of its £12m rights issue had been taken up.

Cookson improved 3 to 101p on news that trading house C. Itoh had agreed to buy its Plastribution subsidiary, which markets materials for plastics, for about Y500m (£2.1m).

MARKET REPORTER:
Peter John.

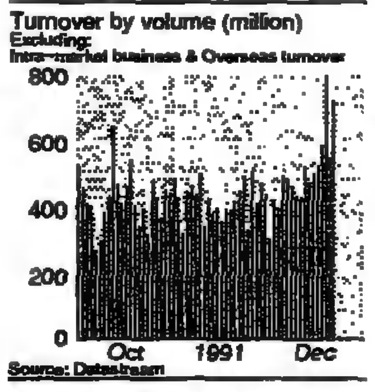
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (8).
AMERICANS (1) Abbott Labs., **BREWERS & DISTILLERS** (1) Mansfield, **OTHER FINANCIAL** (1) Sterling Tst, **PACKAGING, PAPER & PRINTING** (1) Euromoney Publications, **TELEPHONE NETWORKS** (1) Telefonica.
NEW LOWS (38).
AMERICANS (1) Pennzoil, **CHEMICALS** (1) Chemex Intl., **CONTRACTING & CONSTRUCTION** (3) Birse, Lilley, Lovell (Y.J.), **ELECTRONICS** (1) P-E Intl., **ENGINEERING GENERAL** (1) Hadleigh Inds., **HEALTH & HOUSEHOLD** (1) JS Pathology, **HOTELS & LEISURE** (1) Rank Org., **INSURANCE COMPOSITE** (1) FAI, **INSURANCE LIFE** (1) Liberty Life Assoc. of Africa, **INVESTMENT TRUSTS** (1) Nth. American Gas, **MISCELLANEOUS** (2) Astra, Nobo, **MOTORS** (1) European Motor, **OIL & GAS** (4) Aviva Petrlm., Bridge Oil, Command Petrlm., Oliver Res., **OTHER FINANCIAL** (1) Japanese Wrnt., **TPACKAGING, PAPER & PRINTING** (1) NMC, **PROPERTY** (2) Dwyer, Trencherwood, **STORES** (3) Austin Reed, Storehouse, Wilding Office Equipment, **TEXTILES** (1) Vivat, **MINES** (3) Cluff Res., Renison, Sons of Gwalia.

FINANCIAL TIMES STOCK INDICES

	Dec 24	Dec 23	Dec 20	Dec 19	Dec 18	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.46	86.54	86.92	87.10	87.38	82.20	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.71	96.91	97.27	97.37	97.47	90.69	97.49 (16/12)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1813.0	1781.4	1791.9	1814.7	1833.7	1687.8	2108.3 (2/9)	1605.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	143.9	141.9	143.5	146.3	145.6	149.9	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2384.4	2345.4	2358.1	2391.6	2413.6	2167.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE *Eurotrack 200*	*1089.17†*	*1071.77*	*1076.75*	*1089.45*	*1101.95*	-	*1198.60 (3/9)*	*938.62 (16/1)*	*1198.60 (3/9/91)*	*938.62 (15/1/91)*
●Ord. Div. Yield	5.08	5.15	5.12	5.05	5.01	5.68				
●Earning Yld %(full)	7.63	7.74	7.70	7.60	7.53	11.87				
●P/E Ratio(Net)(☆)	16.45	16.21	16.31	16.53	16.68	10.18				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ‖ FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.53. † Partial.

	Dec 24	Dec 23	Dec 20	Dec 19	Dec 18	Year Ago
SEAQ Bargns 4.45pm	11,101	22,215	24,056	24,557	22,133	22,370
Equity Turnover(£m)†	-	926.35	1187.58	1871.63	1563.09	375.74
Equity Bargains†	-	23,407	22,872	23,243	21,488	24,940
Shares Traded (ml)†	-	738.8	584.0	806.6	597.9	199.9

Ordinary Share Index, Hourly changes Day's High 1813.8 Day's Low 1803.0

Open	8.35	9 am	9.30	10 am	11 am	12 pm	12.30	-
1806.2	1806.1	1803.0	1807.8	1809.4	1813.4	1813.0	1813.0	-

FT-SE 100, Hourly changes Day's High 2385.4 Day's Low 2369.3

Open	8.35	9 am	9.30	10 am	11 am	12 pm	12.30	-
2373.5	2373.6	2369.5	2376.6	2379.6	2385.2	2383.9	2384.4	-

FT-SE Eurotrack 200, Hourly changes Day's High 1089.69 Day's Low 1087.27

Open	10 am	10.30	11 am	11.30	12 pm	12.30
1087.27	1088.43	1088.69	1089.40	1088.83	1089.44	1089.17

GILT EDGED ACTIVITY

*Indices**	*Dec 23*	*Dec 20*
Gilt Edged Bargains	54.2	73.4
5–Day average	71.3	77.5

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index:
Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	5	332	+2	Cookson	808	101	+3	Lucas	721	110	+2	Shell Transport	4,500	480	+8
ASDA Group	62,000	31	+1½	Courtaulds	69	451	+5	MB Caradon	689	244	+8	Siebe	243	487	+13
Abbey National	630	278	+7	Dalgety	191	369	+5	MEPC	388	387	+2	Slough Ests	5	228	+2
Albert Fisher	565	87		De La Rue	153	487		Manweb	361	334	+8	Smith (W.H.) A	79	444	+5
Allied-Lyons	198	589	+2	Dixons	3,100	188	+9	Marks & Spencer	1,500	237	+2	Smith & Nephew	1,000	137¼	+2
Amstrad	1,000	23		ECC Group	404	460	+12	Midland Bank	1,500	209	+13	SmKl Beecham	1,700	808	+18
Anglian Water	284	331	+1	Eastern Elect.	361	345	+10	Midlands Elect.	113	282	+8	SmKl Beecham Uts.	335	[illegible]	+65
Argos	17	281	+4	East Midland Elect.	221	262	+9	NFC	180	220	+3	Smiths Inds.	1	258	+3
Argyll Group	266	278	-1	Enterprise Oil	497	435	+5	NatWest Bank	2,300	275	+4	Southern Elect.	782	272	+8
Arjo Wiggins	555	235	+4	Eurotunnel Units	387	365	+9	National Power	463	157		South Wales Elect.	9	308	+15
Ass. Brit. Foods	15	457	+8	FKI	400	60	+2	Next	889	54½	+½	South West Water	32	325	+1
BAA	850	518		Ferranti	2,800	6½	-¼	North West Water	554	330	+2	South West. Elect.	456	248	+4
BAT Inds.	837	586	+13	Fisons	1,700	324	+5	Northern Elect.	111	263	+2	Southern Water	471	322	+1
BET	1,200	185	+13	Forte	476	228	+3	Northern Foods	159	588	+2	Standard Chartd.	576	407	+9
BICC	216	310	+1	Gen. Accident	243	432	+12	Norweb	650	297	+18	Storehouse	1,100	85	-1
BOC	138	587	+7	General Elect.	3,000	197	[illegible]	Pearson	61	663	+3	Sun Alliance	29	270	+4
BPB Inds.	24	123	+2	Glaxo	878	795	+18	P & O	1,000	422	+2	T&N	402	105	
BTR	1,400	373	+7	Glynwed Intl.	180	204	+3	Pilkington	2,100	123	+5	TI Group	221	516	+11
Bank of Scotland	245	108½	+4½	Granada	698	186	+3	PowerGen	1,000	148		TSB	1,400	118	+3
Barclays	2,100	373	+14	Grand Met.	1,800	851	+8	Prudential	1,500	231	+8	Tarmac	4,800	105	+6
Bass	277	987	-2	GUS A	186	1383	+6	RHM	480	244	+2	Tate & Lyle	458	386	+3
Berisford Int.	0	18		GRE	8,100	110	+9	RMC	83	513	+10	Taylor Woodrow	691	122	+4
Blue Circle	1,400	214	+10	GKN	1,300	280	+5	RTZ	830	458	+7	Tesco	1,900	213	+6
Booker	117	438		Guinness	495	[illegible]	+1	Racal	8,300	48	+2	Thames Water	258	329	
Boots	1,500	422	+4	Hammerson "A"	6	503		Rank Org.	261	656	+8	Thorn EMI	142	738	+8
Bowater	1,100	640	+3	Hanson	440	196½	+7½	Reckitt & Colman	302	617	+5	Tomkins	257	[illegible]	+3
Brit. Aerospace	279	317	+7	Hanson Warrants	1,800	20¼	+3½	Redland	587	423	+3	Trafalgar House	2,500	122	
British Airways	931	217	+5	Harrisons Crosfield	481	114	+11	Reed Intl.	342	508	+4	Ultramar	847	259	+7
British Gas	2,700	254	+6	Hawker Sidd.	4	720	+8	Rentokil	1,200	359	+3	Unigate	344	298	+3
British Land	32	251		Hillsdown	312	158	+4	Reuters	835	984	+21	Unilever	387	851	+10
BP	1,800	279	+3	IMI	355	218	[illegible]	Rolls Royce	[illegible]	124	+1	United Biscuits	428	389	+2
British Steel	8,900	87	+3½	ICI	398	1126	+7	Rothmans	596	1021	+22	Utd. Newspapers	552	315	+1
British Telecom	1,500	323½	+1	Inchcape	133	380	+9	Ryl Bk Scotland	641	152	+6	Vodafone	2,100	358	[illegible]
Br Telecom New	3,700	121½	+1½	Kingfisher	220	480	+3	Royal Insurance	7,500	230	+14	Warburg (SG)	3	508	[illegible]
Bunzl	857	79	-1	Ladbroke	865	217	+5	Saatchi	136	11		Wellcome	544	955	+15
Burmah Castrol	48	470	+5	Land Securities	57	450	+3	Sainsbury	383	380	+6	Welsh Water	380	344	-1
Burton	4,500	37	+1	Laporte	311	680	+3	Scottish & New	102	408	+2	Wessex Water	458	366	-1
Cable & Wire.	845	577	+6	Legal & General	528	357	+12	Scot. Hydro-Elect.	584	103		Whitbread "A"	251	[illegible]	+3
Cadbury Schweppes	790	410	+6	Lloyds Abbey	128	353	+6	Scottish Power	734	101		Williams Hldgs.	2,000	291	+½
Calor Group	27	212		Lloyds Bank	482	380	+11	Sears	2,300	88	+3	Willis Corroon	400	249	+6
Carlton Comms	874	460	+7	LASMO	1,200	223	+7	Sedgwick	130	204	+9	Wimpey	58	115	+2
Coats Viyella	342	180	+2	London Elect.	58	245	+4	Seeboard	251	265	[illegible]	Yorkshire Elect.	322	312	[illegible]
Comm. Union	288	455	+17	Lonrho	1,000	102½	+3½	Severn Trent Water	189	320	-1	Yorkshire Water	0	354	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 12.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE SUDDEN rise in the Dow Jones Industrial Average overnight inspired a flurry of activity in derivatives in London on Tuesday.

The December contract on the FT-SE Index showed a 10-point premium for most of the curtailed trading session. Dealers stressed, however, that turnover had been relatively light, with the price of the December contract responding to a squeeze on marketmaker positions by the locals, or independent traders.

December quickly moved to a premium of around 10 points when equities opened in the face of some selective demand for UK shares from New York investment sources. This premium was then held, with at least one leading London securities firm trading between the futures and the underlying index.

The markets were short of stock to meet the sudden demand both for derivatives and equities, and marketmakers were obliged to move prices around quickly. The locals were able to squeeze futures higher near the end of the session, the December contract touching 2,408 before settling around 2,402.

In traded options, the FT-SE Euro contract dominated trading, recording 1,349 lots dealt out of a market total of 9,890.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. [illegible] Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1990. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1160 a year for each security shown, subject to the Editor's discretion

London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.
To obtain your free share Code Booklet ring (071 925-2128)

FT Share Service

The following changes have been made to the FT Share Information Service

Additions:
Baring Chrysalis Fund Ord. & Warrants (Section, Other Financial)
Culver (Motors)

Deletions:
Anglo Scandinavian Warrants (Investment Trusts)
Finlay Packaging (Packaging, Paper & Printing)
Sovereign Oil & Gas (Oil & Gas)
Stanelco (Engineering General)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071—379—0444.

FT MANAGED FUNDS SERVICE

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Cash	1	50.05	50.03	50.53	+0.01	10.6
Capital Priference	5¼	47.71	48.02	51.22	+0.08	9.43
Ethical	5¼	45.38	46.39	49.35	+0.55	5.21
European Growth	5¼	43.41	43.59	46.50	-0.23	3.40
Income	5¼	43.27	43.27	46.71	+0.71	[illegible]
Intl Growth	5¼	59.65	59.75	63.73	+0.38	3.48
Managed	5¼	53.49	53.78	57.37	+0.74	4.92
UK Growth	5¼	46.77	47.38	50.54	+0.87	6.24

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

Mngd Exempt Acc	3	181.9	184.2	192.8	+2	3.21
Do Income	3	173.6	175.8	183.1	+2	3.21

Standard Life Tst Mngt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Acc	5¼	33.28	33.28	35.36	-0.1	2.77
UK Equity Gth Acc	5¼	44.99	45.87	48.74	-0.3	2.51
UK Eq High Inc Inc	5¼	26.47	27.19	28.89	-0.2	7.15
UK Eq High Inc Acc	5¼	29.76	30.36	32.48	-0.2	7.15
UK Equity Gen Acc	5¼	42.36	43.12	45.81	-0.3	3.85
UK Equity Gen Inc	5¼	33.14	33.73	35.84	-0.2	3.85
UK Larger Co Acc F	7½	276.4	280.5	304.4	-1.8	5.03
UK Larger Co Inc F	7½	222.5	225.8	245.1	-1.4	5.03
Gilt & Fxd Int Inc	5¼	27.64	27.70	29.30	-0.1	7.43
D'seas Lrg Co Acc F	7½	197.0	200.9	218.0	+1.1	2.20
Nth American Acc F	5¼	33.20	33.40	35.49	+0.6	0.71
Far East Acc	5¼	36.84	37.79	40.16	-0.3	-
European Acc	5¼	31.33	32.94	35.00	...	1.85

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

American	5	369.6	369.6	388.5	+4.1	0.82
(Accum Units)	5	317.3	317.3	339.6	+4.9	0.82
British	5	778.2	791.2	837.1	+10.0	6.20
(Accum Units)	5	1278.6	1299.9	1375.4	+16.5	6.20
European	5	308.5	308.5	328.6	+1.4	1.54
(Accum Units)	5	334.4	334.4	356.2	+1.5	1.54
Japan	5	102.8	102.8	109.5	-0.7	-
(Accum Units)	5	103.6	103.6	110.4	-0.7	-
New Pacific	5	158.5	158.5	169.2	+0.8	2.05
(Accum Units)	5	162.8	162.8	173.8	+0.9	2.05
PEP Dec 18	5	140.9	142.4	150.7	-0.7	3.73
Mngd Equity	5	116.7	118.1	124.9	+0.9	3.64
Mngd Equity Acc	5	123.8	125.3	132.5	+0.9	3.64
Mngd Cash	5	97.08	97.08	97.08	+0.02	10.62
(Accum Units)	5	117.4	117.4	117.4	+0.01	10.62

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Dec 12	467.53	470.98	---	3.00
Gross Dec 12	174.61	176.02	---	11.08
High Yield Dec 12	273.64	275.83	---	7.98

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	49.37	50.46	+0.51	4.37

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1097.0	1183.0	---	-
Mngd Pens (Acc)	62.0	66.1	---	-

Lazard Brothers & Co. Ltd

Property Sept 5	£2490.0	2600.0	---	7.00
Inc Gth Prp Jul 31	£1375.0	1460.0	---	6.90

Lazard Investors Ltd
Exempt Funds

Small Co's Dec 23	£3791.9	3996	---	4.13
European Dec 23	£527.0	532.7	---	2.13
American Dec 23	£319.6	325.1	---	2.51
Japan Dec 23	£448.1	453.1	---	1.44
Pacific Dec 23	£124.9	128.4	---	2.16
W Midlands Sep 30	£136.50	152.30	---	2.48

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Nov 30	193.55	197.40	---	7.94
Equity Nov 30	834.90	846.60	---	4.13

* Available only to Local Authorities

M & G Securities Ltd

Charibond Dec 23		103.04	-0.5	10.47
(Accum Units)		407.84	-2.9	10.47
NAACIF Dec 17		40.27	---	9.9

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † Dec 24	116.8	125.6	-4.5	2.16
UK Small Co † Dec 24	507.6	557.8	-10.10	1.58
Fixed Interest † Dec 24	109.1	114.8	-0.1	8.71
US Small Co Dec 24	146.0	156.2	-8.5	0.00
Managed Dec 24	102.2	109.5	-2.8	3.61
Intl Bond Dec 24	118.4	124.9	+0.2	10.26
Japan Dec 24	66.27	70.90	-3.56	4.14
European Dec 24	82.21	88.11	-0.6	1.94

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Management Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd (z)

Canbury Life Plc

Citibank Life

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insur Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange
Royal Exchange, EC3 071-283 7101
Guardian Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Choice Wth-Pfts Lg-tm	132.8	139.8	+0.2	-
Choice Wth-Pfts Sh-tm	124.4	130.9	+0.1	-
Choices Managed	143.7	151.3	+2.2	-
Choices Equity	147.3	155.0	[illegible]	-
[illegible]	108.0	113.7	+0.2	-
[illegible]	107.0	112.7	+0.2	-
Freedom Managed	85.9	90.4	+1.5	-
Freedom Equity	82.7	87.0	+1.6	1.69

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Legal & General — Contd.
Unit Pensions
Kingswood, Surrey, KT20 6TH 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg. Soc. Linkd	160.6	169.1	-	-
Do. Accum	205.3	216.1	+0.2	-
Exempt Cash Init	285.5	300.4	+0.1	-
Do. Accum	457.2	481.3	+0.1	-
Exempt Eqty. Init	805.1	847.5	+14.6	-
Do. Accum	1288.8	1356.7	+22.4	-
Exempt Euro Init	143.6	151.2	+1.0	-
Do. Accum	177.6	186.9	+1.3	-
Exempt Far East'n Init	139.7	147.1	-0.2	-
Do. Accum	233.8	246.2	-0.3	-
Exempt Fixed Init	437.9	461.0	-0.6	-

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group (z)

M & G Life and M & G Pensions

Manulife Group

Manulife Group — Contd.
Pension Fund Price

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Init	317.1			-
Do. Accum	472.9			-
Property Init	320.1			-
Do. Accum	478.3			-
Equity Init	380.1			-
Do. Accum	567.9			-
Gilt-Edged Init	287.9			-
Do. Accum	426.4			-
Guaranteed Init	211.0			-
Do. Accum	315.4			-
International Init	366.0			-
Do. Accum	335.4			-

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Manchester Unity Assurance

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	103.1	108.5	---	-
Pension Managed Fd	101.7	107.1	---	-
Life Deposit Fd	111.4	117.3	---	-
Pension Deposit Fd	118.5	124.7	---	-

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	164.8	173.5	---	-
UK Equity	171.0	180.1	---	-
Overseas Equity	130.5	137.4	---	-
Fixed Interest	163.4	172.0	---	-
Property	129.1	135.9	---	-
Index Linked	151.7	159.7	---	-
Deposit	165.3	174.1	---	-
With Profits (B)	135.2	142.4	---	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	335.6	353.3	+4.2	-
UK Equity	418.2	440.3	+7.3	-
Overseas Eq	317.4	334.2	+3.7	-
American	272.2	286.6	+4.6	-
Far East	327.5	344.8	-3.2	-
Property	193.6	203.8	+0.3	-
Fixed Int	272.0	286.4	+0.3	-
Indexed Gilt	160.0	168.5	+0.1	-
Deposit	189.1	199.1	---	-
With Profit	105.9	111.5	---	-
Pension Fund (Accum Units)				
Managed	485.6	511.2	+6.6	-
UK Equity	566.2	596.0	+10.6	-
Overseas Eq	541.1	569.6	+4.6	-
American	353.4	372.0	+9.5	-
Far East	540.6	569.1	-1.6	-
Property	247.8	260.9	+0.4	-
Fixed Int	341.4	359.4	+0.5	-
Indexed Gilt	174.5	183.7	---	-
Deposit	268.5	282.7	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	1071.5	1090.6	---	-

Prices December 2 Next dealing January 2

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	207.3	218.7	+4.0	-
UK Fixed Int Acc	192.1	202.7	-0.1	-
Intl Equities Acc	164.0	173.1	+2.9	-
UK Managed Acc	164.1	173.1	+2.2	-
Property Acc	224.2	236.6	---	-
Money Acc	134.7	142.1	+0.1	-
Special Market Acc	138.5	146.1	+0.7	-
Japan Equity Acc	88.4	93.3	-0.9	-
North American Acc	94.3	99.5	+2.1	-
Pacific Acc	85.8	90.6	-0.9	-
Technology Acc	112.9	119.1	+0.7	-
Nat Resources Acc	49.8	52.6	+0.2	-
European Acc	92.8	97.9	-	-
Residential Prop Acc	90.6	95.6	---	-
Swiss Equities Acc	31.0	32.8	+0.4	-
Hong Kong Acc	65.7	69.4	+0.4	-
UK High Inc Eq Acc	67.2	70.9	+1.3	-
Int Fixed Interest Acc	60.4	63.8	-0.1	-
Int Managed Acc	54.0	56.9	+0.5	-
HIP Managed Acc	109.4	115.4	+1.1	-
HIP Managed II Acc	96.3	101.5	+0.8	-
HIP Managed III Acc	104.8	110.5	+1.1	-
Total Investment Bond				
UK Equity Initial		140.4	+2.5	-
UK Fixed Int Initial		130.4	---	-
Intl Equities Initial		110.5	+1.9	-
UK Managed Initial		111.3	+1.3	-
Property Initial		153.2	---	-
Money Initial		91.8	---	-
Special Market Initial		107.2	+0.6	-
Japan Equity Initial		68.4	-0.7	-
North American Initial		72.9	+1.5	-
Pacific Initial		65.4	-0.3	-
Technology Initial		87.3	+0.5	-
Nat Resources Initial		38.5	+0.1	-
European Initial		82.9	---	-
Residential Prop Init		86.2	---	-
Swiss Equities Initial		29.5	+0.4	-
Hong Kong Initial		62.5	+0.3	-
UK High Inc Eq Init		63.8	+1.1	-
Int Fixed Interest Init		58.3	-0.1	-
Int Managed Init		52.2	+0.3	-
HIP Managed Init		105.9	+0.9	-
HIP Managed II Initial		94.5	+0.7	-
HIP Managed III Init		104.0	+1.0	-
Broker Funds				
High Performance	70.0	73.9	-0.5	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$15.92	16.72	+0.02	1.05
Japan Tech	$55.83	58.63	+0.25	–
Japan Fund	$23.81	25.01	+0.04	0.17
Japan New Gerte Fd	$18.00	18.90	−0.06	–
Malay Sing	$55.51	58.29	+0.81	0.31
Nth American	$22.65	23.79	+0.65	0.38
Octopus Fund	$21.76	22.85	+0.19	0.88
Pacific Fd	$60.44	63.47	+0.12	–
International Bond	$17.57	18.45	+0.03	6.89
Europa Fund	$13.49	14.17	+0.06	–
British Screen Fd	£0.84	0.89		–
Tristar Warrant	$11.03	11.59	+0.12	–
Hong Kong	$51.62	54.21	+0.38	3.09
Magd Portfolio (Stlg)	£3.80	4.10	−0.05	–
Magd Portfolio (Dlr)	$10.19	10.76	+0.06	–
Currency Fd-Sterling	£19.84			–
Currency Fd-US Dollar	$15.54		+0.01	–
Curr Fd-Deutschemark	DM41.12		−0.01	–
Curr Fd-Managed S	$46.56	48.09	+0.25	–

Federated International Funds Plc
Federated Short-term US Gov't Securities Fund
Institutional Ser Series* $1.00 (z) 4.38
Investment Series* $1.00 (z) 4.38
* Annualised Yield

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −
TSB Trust Funds – Contd.					
UK Equity	5	138.06	138.06	146.60	
International Equity	5	109.34	109.34	116.22	
Far Eastern	5	82.64	82.64	88.92	
European	5	77.98	77.98	82.42	
Pan American	5	149.35	149.35	158.34	
TSB Gilt Fund Ltd					
Quarterly Share	3	98.59	98.59	101.88	
Monthly Share	3	96.44	96.44	99.64	

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer in light trade

The dollar recovered ground on the foreign exchange markets on Tuesday, although trading volumes remained extremely light and the true position of the US currency may not become clear until after the year-end holiday period.

The US currency weakened overnight in Tokyo trading, having closed in London at DM1.5135 on Monday, already down 2 pfennigs and close to the lowest levels of the year. At one point the dollar hit a low of DM1.5115 in far Eastern trading before professional dealers stepped in to provide support.

This proved enough to prompt a mild rally through European and the early hours of US trading. By late afternoon in London, the dollar stood at DM1.5205.

However, currency economists noted that the interest rate differential between the US and its main trading competitors is extremely high by historic standards following the 1 per cent cut in the US discount rate to 3.5 per cent. The German discount rate was increased to 8 per cent last week.

While the two rates are not directly comparable in function, the wide differential could attract investors out of dollar financial assets in the New Year when portfolio investors decide first quarter asset allocations. This could add to the weakness of the US currency.

The dollar was also firm against the Japanese yen on Tuesday, closing in London at around Y127.55, up from Y126.50 on Monday.

The Japanese authorities do not appear concerned by the current strength of the yen, even though it makes Japanese exporters relatively less competetive.

Mr Tsutomu Wata, finance minister, commented overnight in Tokyo that current exchange rates are not a negative factor for the Japanese economy.

Current account data for November, released on Thursday, confirmed this picutre. The current account surplus in the month reached $7.26bn, compared with just $1.68bn in November 1990. A 4.9 per cent increase in exports was accompanied by a 14.4 per cent decline in imports, as the slowdown in the Japanese economy has dampened demand for imported goods.

Within the European exchange rate mechanism, sterling was stable against the D-Mark and other currencies, following a steady decline in London trading on Monday.

The UK currency stood at DM2.84 by Tuesday's close, little changed from Monday's closing level. The floor against the German currency is currently DM2.835, determined by the relative strength of the other currencies in the system, in particular the Spanish peseta, the strongest currency.

While the Spanish, French and Italian governments all raised interest rates on Monday to defend their currencies following the Bundesbank's decision to increase rates to by ½ a point last week, the UK authorities did not act.

£ IN NEW YORK

Dec.26	Latest	Previous Close
£ Spot	1.8845-1.8855	1.8750-1.8760
1 month	0.96-0.94cpm	1.01-0.99cpm
3 months	3.00-2.97pm	3.04-3.01pm
12 months	11.10-10.9pm	11.15-11.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.24	Previous
8.30 am	91.8	91.6
9.00 am	91.8	91.5
10.00 am	91.8	91.6
11.00 am	91.9	91.7
Noon	91.9	91.8
1.00 pm	-	91.8
2.00 pm	-	91.8
3.00 pm	-	91.7
4.00 pm	-	91.8

CURRENCY MOVEMENTS

Dec 24	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	-20.3
U.S Dollar	61.1	-18.3
Canadian Dollar	101.9	+0.2
Austrian Schilling	110.9	+12.8
Belgian Franc	112.9	-1.0
Danish Krone	109.9	+3.9
D-Mark	120.7	+26.7
Swiss Franc	110.0	+18.3
Dutch Guilder	115.8	+17.3
French Franc	104.3	-12.1
Lira	99.5	-19.6
Yen	139.1	+75.4

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100). **Rates are for Dec.23

CURRENCY RATES

Dec 24	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.760724	0.714117
U.S Dollar	3.50	1.42727	1.34075
Canadian $	7.57	1.65549	1.55286
Austrian Sch.	7.50	15.2418	14.3193
Belgian Franc	8.00	44.6272	41.9522
Danish Krone	9.50	8.44230	7.93499
D-Mark	8.00	2.16560	2.03527
Dutch Guilder	8.00	2.44449	2.29510
French Franc	10¼	7.41324	6.95718
Italian Lira	12	1644.08	1543.34
Japanese Yen	5.00	N/A	170.343
Norway Krone	8	8.54578	8.03112
Spanish Peseta	–	138.151	129.785
Swedish Krona	10.00	7.92991	7.45057
Swiss Franc	7.00	1.92539	1.81069
Greek Drach	19	N/A	234.605
Irish Punt	–	N/A	0.765839

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Dec.23

OTHER CURRENCIES

Dec 24	£	$
Argentina	18547.6 - 18586.2	9900.00 - 9910.00
Australia	2.4640 - 2.4660	1.3135 - 1.3145
Brazil	1873.50 - 1875.80	1000.00 - 1000.15
Finland	7.7450 - 7.8030	4.1250 - 4.1350
Greece	324.250 - 329.400	173.990 - 176.780
Hong Kong	14.5530 - 14.5995	7.7690 - 7.7720
Iran	117.90*	65.70*
Korea(Sth)	1417.40 - 1440.25	754.50 - 763.50
Kuwait	0.52825 - 0.52925	0.28430 - 0.28480
Luxembourg	58.65 - 58.75	31.25 - 31.35
Malaysia	5.1115 - 5.1345	2.7280 - 2.7330
Mexico	5695.45 - 5705.30	3040.00 - 3042.00
N.Zealand	3.4385 - 3.4480	1.8330 - 1.8380
Saudi Ar.	6.9545 - 7.0315	3.7490 - 3.7500
Singapore	3.0500 - 3.0660	1.6250 - 1.6300
S.Af (Cm)	5.1330 - 5.1560	2.7410 - 2.7460
S.Af (Fn)	5.9555 - 6.0520	3.1745 - 3.2260
Taiwan	48.20 - 48.30	25.70 - 25.75
U.A.E.	6.8100 - 6.8870	3.6715 - 3.6735

*Official rate. Floating rate £-2578.0 $-1421.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.785	-2.88	5.51	50
Belgian Franc	42.4032	41.9522	-1.06	3.57	45
D-Mark	2.05586	2.03527	-1.00	3.51	56
Dutch Guilder	2.31643	2.29510	-0.92	3.42	39
Irish Punt	0.767417	0.765839	-0.21	2.68	3
Italian Lira	1538.24	1543.34	0.33	2.13	-23
French Franc	6.89509	6.95718	0.90	1.56	-57
Danish Krone	7.84195	7.93499	1.19	1.27	-60
Sterling	0.696904	0.714117	2.47	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8730 - 1.8805	1.8755 - 1.8765	0.96-0.93cpm	6.04	3.01-2.96pm	6.36
Canada	2.1675 - 2.1780	2.1675 - 2.1685	0.65-0.51cpm	3.21	1.94-1.69pm	3.35
Netherlands	3.2050 - 3.2200	3.2100 - 3.2200	⅛cpm-par	0.7	1-⅛pm	1.01
Belgium	58.45 - 58.85	58.65 - 58.75	7-2cpm	0.92	16-11pm	0.92
Denmark	11.0810 - 11.1310	11.0900 - 11.1000	2⅛-1orepm	1.69	4⅞-2⅞pm	1.15
Ireland	1.0685 - 1.0725	1.0715 - 1.0725	0.01-0.06pdis	-0.39	0.05-0.15dis	-0.37
Germany	2.8460 - 2.8525	2.8475 - 2.8525	⅛-⅛pfpm	0.79	¾-⅝pm	1.05
Portugal	252.25 - 254.45	252.80 - 253.80	45-111cdis	-3.7	143-255dis	-3.14
Spain	180.35 - 181.65	181.10 - 181.40	19-36cdis	-1.82	75-103dis	-1.96
Italy	2153.40 - 2166.10	2157.75 - 2158.75	2-6liredis	-2.22	6-13dis	-1.76
Norway	11.2105 - 11.2605	11.2175 - 11.2275	1-⅜orepm	0.74	1½-1⅛pm	0.31
France	9.7265 - 9.7510	9.7375 - 9.7475	⅞-⅛cpm	0.77	1⅞-1⅛pm	0.62
Sweden	10.3875 - 10.4365	10.4100 - 10.4200	2⅛-3½oredis	-3.24	6⅞-8⅛dis	-2.88
Japan	238.00 - 239.00	238.00 - 239.00	1⅛-1⅛ypm	5.35	3⅛-2⅞pm	5.03
Austria	20.01 - 20.06	20.01 - 20.04	3⅛-2⅛gropm	1.69	8⅛-5⅛pm	1.32
Switzerland	2.5275 - 2.5400	2.5300 - 2.5400	⅝-⅜cpm	2.37	1⅞-1⅜pm	2.37
Ecu	1.4030 - 1.4085	1.4030 - 1.4040	0.05pm-0.01cdis	0.17	0.15-0.06pm	0.30

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.99-5.92cpm. 12 Month 11.10-10.90pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8730 - 1.8805	1.8755 - 1.8765	0.96-0.93cpm	6.04	3.01-2.96pm	6.36
Ireland†	1.7485 - 1.7520	1.7485 - 1.7495	0.86-0.81cpm	5.73	2.66-2.56pm	5.97
Canada	1.1575 - 1.1605	1.1590 - 1.1600	0.25-0.30cdis	-2.85	0.84-0.94dis	-3.07
Netherlands	1.7080 - 1.7195	1.7130 - 1.7140	0.75-0.80cdis	-5.43	2.35-2.40dis	-5.54
Belgium	31.20 - 31.40	31.25 - 31.35	12.00-17.00cdis	-5.56	38.00-48.00dis	-5.50
Denmark	5.9125 - 5.9175	5.9125 - 5.9175	1.70-2.80oredis	-4.56	7.50-8.80dis	-5.51
Germany	1.5145 - 1.5240	1.5185 - 1.5195	0.66-0.68pfdis	-5.29	2.09-2.11dis	-5.53
Portugal	135.05 - 135.40	135.20 - 135.30	110-130cdis	-10.65	315-345dis	-9.76
Spain	96.55 - 96.65	96.55 - 96.65	65-73cdis	-8.66	200-220dis	-8.79
Italy	1148.50 - 1153.00	1150.25 - 1150.75	7.00-9.00liredis	-8.34	22.00-28.00dis	-8.69
Norway	5.9700 - 5.9950	5.9800 - 5.9850	2.50-3.60oredis	-6.12	8.95-11.15dis	-6.72
France	5.1785 - 5.1970	5.1900 - 5.1950	2.44-2.49cdis	-5.70	7.75-7.85dis	-6.01
Sweden	5.5470 - 5.5550	5.5500 - 5.5550	4.20-5.25oredis	-10.21	12.80-14.00dis	-9.65
Japan	126.80 - 127.40	127.05 - 127.15	0.10-0.11ydis	-0.99	0.44-0.47dis	-1.43
Austria	10.6700 - 10.7000	10.6775 - 10.6825	4.45-4.90grodis	-5.25	13.80-15.00dis	-5.39
Switzerland	1.3460 - 1.3540	1.3510 - 1.3520	0.38-0.45cdis	-3.68	1.33-1.43dis	-4.08
Ecu	1.3335 - 1.3370	1.3335 - 1.3345	0.70-0.60cpm	5.85	2.10-1.95pm	6.07

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	N/A	N/A	11⅛ - 10⅞	11 - 10⅞	11 - 10⅞	10⅞ - 10¾
US Dollar	4⅝ - 4½	7½ - 6⅞	5⅛ - 4⅞	4⅞ - 4¾	4¾ - 4⅝	4⅞ - 4¾
Can. Dollar	7⅜ - 6⅞	7⅜ - 6⅞	7⅜ - 7¼	7⅜ - 7¼	7⅛ - 7	7⅛ - 7
Dutch Guilder	9⅝ - 9½	10⅛ - 10	10 - 9⅞	10 - 9⅞	9⅞ - 9¾	9⅝ - 9½
Swiss Franc	8¼ - 8	9¼ - 9⅛	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅛ - 7⅞
D-Mark	9⅝ - 9½	11 - 10⅝	9⅞ - 9¾	9⅞ - 9¾	9¾ - 9⅝	9⅝ - 9½
French Franc	10⅝ - 10⅜	10⅝ - 10⅜	10½ - 10⅜	10⅜ - 10¼	10⅜ - 10¼	10¼ - 10⅛
Italian Lira	12 - 10	13¼ - 12½	13⅛ - 12⅝	12½ - 12	12⅝ - 12¼	12¼ - 12
Belgian Franc	10¼ - 10	10½ - 10¼	10⅛ - 10	10 - 9⅞	9⅞ - 9¾	9⅞ - 9¾
Yen	6⅝ - 6½	6½ - 6⅜	6⅜ - 6¼	6⅛ - 5⅞	5⅞ - 5¾	5⅝ - 5½
Danish Krone	9⅞ - 9⅝	9¾ - 9⅝	10 - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞
Asian $Sing	3⅞ - 3⅝	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2¾	3⅛ - 3	3⅛ - 3

Long term Eurodollars: two years 5⅛-4⅞ per cent; three years 5⅞-5¾ per cent; four years 6⅛-6⅛ per cent; five years 6⅜-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Ecu
£	1	1.876	2.850	238.5	9.743	2.535	3.215	2158	2.168	58.70	1.404
$	0.533	1	1.519	127.1	5.193	1.351	1.714	1150	1.156	31.29	0.748
DM	0.351	0.658	1	83.68	3.419	0.889	1.128	757.2	0.761	20.60	0.493
YEN	4.193	7.866	11.95	1000.	40.85	10.63	13.48	9048	9.090	246.1	5.887
F Fr.	1.026	1.925	2.925	244.8	10.	2.602	3.300	2215	2.225	60.25	1.441
S Fr.	0.394	0.740	1.124	94.08	3.843	1	1.268	851.3	0.855	23.16	0.554
H Fl.	0.311	0.584	0.886	74.18	3.030	0.788	1	671.2	0.674	18.26	0.437
Lira	0.463	0.869	1.321	110.5	4.515	1.175	1.490	1000.	1.005	27.20	0.651
C$	0.461	0.865	1.315	110.0	4.494	1.169	1.483	995.4	1	27.08	0.648
B Fr.	1.704	3.196	4.855	406.3	16.60	4.319	5.477	3676	3.693	100.	2.392
Ecu	0.712	1.336	2.030	169.9	6.939	1.806	2.290	1537	1.544	41.81	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
93	3-54	4-18	0-12	0-36
94	2-62	3-33	0-20	0-51
95	2-12	2-54	0-34	1-08
96	1-33	2-16	0-55	1-34
97	1-00	1-46	1-22	2-00
98	0-41	1-20	1-63	2-38
99	0-25	0-63	2-47	3-17
100	0-14	0-45	3-36	3-63

Estimated volume total, Calls 520 Puts 651
Previous day's open int. Calls 20416 Puts 14210

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
97	3-60	3-24	0-26	0-54
98	3-09	2-46	0-39	1-12
99	2-27	2-09	0-57	1-37
100	1-51	1-41	1-17	2-07
101	1-19	1-15	1-49	2-45
102	0-59	0-58	2-25	3-24
103	0-40	0-41	3-06	4-07
104	0-27	0-29	3-57	4-59

Estimated volume total, Calls 2 Puts 25
Previous day's open int. Calls 996 Puts 860

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8500	1.84	2.41	0.12	0.23
8550	1.42	2.01	0.20	0.33
8600	1.04	1.65	0.32	0.47
8650	0.73	1.32	0.51	0.64
8700	0.49	1.03	0.77	0.85
8750	0.32	0.79	1.10	1.11
8800	0.19	0.60	1.47	1.42
8850	0.11	0.44	1.89	1.76

Estimated volume total, Calls 2292 Puts 2321
Previous day's open int. Calls 96121 Puts 41793

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8950	0.94	1.22	0	0
8975	0.69	0.98	0	0.01
9000	0.44	0.74	0	0.02
9025	0.19	0.51	0	0.04
9050	0	0.31	0.06	0.09
9075	0	0.15	0.31	0.18
9100	0	0.07	0.56	0.35
9125	0	0.03	0.81	0.56

Estimated volume total, Calls 400 Puts 641
Previous day's open int. Calls 46343 Puts 36306

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS
Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9550	2.07	2.31	0.11	0.38
9600	1.67	1.95	0.21	0.52
9650	1.30	1.62	0.34	0.69
9700	0.98	1.33	0.52	0.90
9750	0.69	1.06	0.73	1.13
9800	0.47	0.84	1.01	1.41
9850	0.32	0.65	1.36	1.72
9900	0.21	0.50	1.75	2.07

Estimated volume total, Calls 25 Puts 10
Previous day's open int. Calls 3106 Puts 1531

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8850	0.83	1.33	0	0
8875	0.58	1.09	0	0.01
8900	0.33	0.85	0	0.02
8925	0.09	0.63	0.01	0.05
8950	0.01	0.43	0.18	0.10
8975	0	0.26	0.42	0.18
9000	0	0.14	0.67	0.31
9025	0	0.08	0.92	0.50

Estimated volume total, Calls 2034 Puts 1428
Previous day's open int. Calls 93201 Puts 69887

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-14	95-21	95-15	95-07
Mar	95-22	95-28	95-16	95-17

Estimated volume 3222 (8754)
Previous day's open int. 52183 (52031)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	103-12	103-15	103-10	103-05
Jun	102-12			102-05

Estimated volume 339 (360)
Previous day's open int. 2900 (3153)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	87.19	87.28	87.17	87.22
Jun	87.63			87.67

Estimated volume 5656 (8315)
Previous day's open int. 93031 (93011)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Mar	101.83	101.85	101.79
Jun	101.79		

Estimated volume 246 (148)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Mar	99.94			99.94
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Mar	96.99	96.99	96.94	96.89
Jun	96.82			96.72

Estimated volume 87 (2299)
Previous day's open int. 15904 (15926)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	89.29	89.33	89.25	89.23
Jun	89.57	89.60	89.53	89.54
Sep	89.91	89.95	89.91	89.90
Dec	90.10	90.11	90.09	90.07
Mar	90.13	90.13	90.12	90.12
Jun	90.13	90.16	90.13	90.12

Est. Vol. (inc. figs. not shown) 6093 (26680)
Previous day's open int. 147771 (147057)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Mar	95.91	95.93	95.90	95.91
Jun	95.77	95.78	95.76	95.78
Sep	95.53	95.53	95.53	95.52
Dec	95.06	95.06	95.06	95.03

Est. Vol. (inc. figs. not shown) 2330 (1958)
Previous day's open int. 29591 (29479)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Mar	90.51	90.53	90.50	90.52
Jun	90.82	90.82	90.79	90.83
Sep	91.17	91.17	91.15	91.18
Dec	91.34	91.34	91.32	91.34
Mar	91.53	91.52	91.52	91.53
Jun	91.62	91.62	91.62	91.62

Estimated volume 5164 (11465)
Previous day's open int. 164813 (164209)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Mar	89.87	89.88	89.80	89.83
Jun	90.23	90.23	90.22	90.22
Sep	90.64	90.63	90.63	90.58
Dec	90.74			90.68

Estimated volume 256 (336)
Previous day's open int. 4222 (4234)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	92.00	92.04	91.94	91.92
Jun	92.32	92.32	92.25	92.22
Sep	92.51	92.47	92.44	92.42
Dec	92.64			92.56

Estimated volume 797 (2750)
Previous day's open int. 23061 (22558)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2402.0	2408.0	2373.0	2344.0
Mar	2441.0	2444.0	2405.0	2382.0
Jun	2470.0			2412.0

Estimated volume 2935 (10812)
Previous day's open int. 40027 (42232)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Mar	1077.0			1065.0
Jun				

Estimated volume 0 (23)
Previous day's open int. 108 (85)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	103-17	103-18	103-08	103-10
Jun	102-13	102-15	102-05	102-08
Sep	101-13	101-13	101-05	101-08
Dec	100-15	100-15	100-07	100-09
Mar	99-18	99-18	99-11	99-14
Jun	-	-	-	98-20
Sep	-	-	-	97-27
Dec	-	-	-	97-03
Mar	-	-	-	96-13
Jun	-	-	-	95-25

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	96.32	96.35	96.31	96.33
Jun	96.24	96.24	96.23	96.26
Sep	96.02	96.03	96.02	96.02
Dec	95.63	95.67	95.63	95.62
Mar	-	-	-	95.40

BRITISH POUND (IMM)
$s per £

	Latest	High	Low	Prev.
Mar	1.8606	1.8646	1.8566	1.8538
Jun	1.8318	1.8346	1.8280	1.8240
Sep	1.8010	1.8066	-	1.7966

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7387	0.7390	0.7365	0.7368
Jun	0.7315	0.7315	0.73000	0.7296
Sep	0.7240	0.7240	-	0.7230

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7873	0.7875	0.7861	0.7861
Jun	0.7845	0.7852	0.7838	0.7834
Sep	0.7825	0.7830	-	0.7817
Dec	-	-	-	0.7808

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.6554	0.6562	0.6536	0.6534
Jun	0.6469	0.6478	0.6451	0.6448
Sep	0.6378	0.6378	0.6378	0.6370

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	95.91	95.91	95.89	95.91
Jun	95.77	95.77	95.75	95.76
Sep	95.54	95.54	95.52	95.52
Dec	95.04	95.05	95.03	95.03
Mar	94.78	94.78	94.76	94.76
Jun	94.34	94.34	94.31	94.32
Sep	93.90	93.90	93.88	93.89
Dec	93.39	93.39	93.36	93.37

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	403.00	403.20	400.60	399.05
Jun	404.30	404.40	401.85	400.20
Sep	405.20	405.20	403.10	391.25

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES Dec.24

	Open	Sett price	Change	High	Low	Yield	Open int.
December	106.32	106.58	+0.40	106.58	106.32	9.04	17,366
March	106.74	106.98	+0.38	106.98	106.74	8.97	111,512
June	107.66	107.90	+0.38	107.84	107.66	8.84	9,210

Estimated volume 42,097 Total Open Interest 138,421

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES Dec.24

	Open	Sett price	Change	High	Low	Yield	Open int.
December	-	-	-	-	-	-	4,291
March	-	86.38	0.00	-	-	-	100

Estimated volume - Total Open Interest 4,391

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) Dec.24

	Open	Sett price	Change	High	Low	Yield	Open int.
March	89.99	90.06	+0.08	90.06	89.99	10.02	33,350
June	90.38	90.38	+0.05	90.38	90.36	9.67	10,530

Estimated volume 5,819 Total Open Interest 49,115

CAC-40 FUTURES (MATIF) Stock index Dec.24

	Open	Sett price	Change	High	Low	Yield	Open int.
December	1660.0	1706.0	+73.5	1707.0	1657.0	-	9,455
January	1670.0	1719.0	+74.0	1715.5	1670.0	-	9,370
February	1685.0	1733.0	+74.0	1714.5	1685.0	-	94
March	1722.0	1746.5	+74.0	1730.5	1717.0	-	6,861

Estimated volume 12,457 Total Open Interest 25,780

ECU BOND (MATIF) Dec.24

	Open	Sett price	Change	High	Low	Yield	Open int.
December	107.18	107.04	+0.02	107.18	107.12	8.91	695
March	107.50	107.36	-0.04	107.52	107.36	8.85	4,928

Estimated volume 747 Total Open Interest 5,623

OPTION ON LONG-TERM FRENCH BOND (MATIF) Dec.24

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	-	-	-	0.22	-	-
106	1.37	-	-	0.43	0.57	-
107	0.78	-	-	0.88	-	-
108	0.40	1.15	-	-	-	-
Open int.	146,389	11,482	350	86,504	12,660	250

Estimated volume 22,405 Total Open Interest 267,635

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
1.725	16.15	16.15	16.15	16.10	-	0.09	0.35	1.92
1.750	13.65	13.65	13.65	13.60	0.01	0.24	0.65	2.60
1.775	11.15	11.20	11.15	11.20	0.03	0.50	1.09	3.36
1.800	8.65	8.77	8.84	9.14	0.11	0.92	1.70	4.33
1.825	6.23	6.65	6.84	7.44	0.24	1.54	2.50	5.46
1.850	4.08	4.84	5.15	5.96	0.68	2.40	3.48	6.78
1.875	2.39	3.37	3.78	4.72	1.48	3.49	4.76	8.26

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8760	1.8666	1.8462	1.8166	1.7660

MONEY MARKETS

London rates steady

The Bank of England moved early to soothe the nerves of the London money market on Tuesday, against the backgound of sterling's continued weakness within the European exchange rate mechanism and fears that UK interest rates may have to rise.

The Bank forecast a £750m liquidity shortage and immediately relieved any potential pressures for higher money rates by stepping in with a £776m round of early assistance. It bought band 1 bank bills at 10¾ per cent and band 3 bills at 10¼ per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

A flurry of activity in late morning saw the forecast liquidity shortage increased to £850m, but again the bank moved quickly to provide liquidity, buying £100m band 1 bills, again at 10¾ per cent.

Against this background money market interest rates were stable, with the volume of transactions extremely light. However, the Bundesbank's decision to raise its interest rates last week, followed by every other member of the ERM except the UK, has fuelled expectations of higher sterling interest rates in the new year.

The March short sterling futures contract on the London International Financial Futures Exchange closed at 89.29, little changed on the day – implying interest rates of 10.71 per cent by the spring, against a current base lending rate of 10.5 per cent.

The key three-month interbank money rate was slightly easier at 11-10⅞ per cent, from 11⅛ to 11 per cent on Monday. Market sentiment was buoyed by the stability of sterling on the foreign exchnage markets following a bout of weakness on Monday. The pound traded at around DM2.84 throughout the day, still just above its floor of DM2.835.

However, economists pointed out that forward money rates from one month to one year are now at or very close to 11 per cent.

The German money markets were closed from Tuesday to Thursday for the Christmas holiday. On Monday call money was quoted at 9.5 per cent, higher than the previous week following the introduction of higher than anticipated reserve requirements but comfortably below the Bundesbank's Lombard emergency funding rate for financial institutions, which was increased by ½ a point to 9.75 per cent last week.

The Tokyo market was also closed on Tuesday for an annual holiday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.24) 3 months US dollars		6 months US Dollars	
bid 4¾	offer 4½	bid 4¼	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime Dec.26

Prime rate	6½
Broker loan rate	6
Fed.funds	4⅜
Fed.funds at intervention	4¼

Treasury Bills and Bonds

One month	3.87	Three year	5.15
Two month	4.24	Four year	5.28
Three month	3.92	Five year	6.02
Six month	4.05	Seven year	6.48
One year	4.17	10-year	6.85
Two year	4.85	30-year	7.51

Dec.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.45-9.55	9.65-9.85	9.55-9.75	9.55-9.75	9.50-9.70	9.75
Paris	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	9.60
Zurich	6⅞-7⅛	8¼-8½	-	8¼-8½	-	-
Amsterdam	9.87-9.00	9.85-10.0	-	9.75-9.85	-	-
Tokyo	6¼-6⅜	6⅜-6⅝	-	5⅞-6⅛	-	-
Milan	11⅞-12⅛	13⅛	-	12⅛-12⅝	-	-
Brussels	10-10¼	10⅛-10⅜	-	9⅞-10⅛	-	-
Dublin	10⅛-10½	10⅝-10⅞	10⅝-10⅞	10⅝-10⅞	10⅝-10⅞	-

LONDON MONEY RATES

Dec 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	9¾	10⅞	10⅞	11	10⅞
Interbank Bid	3	9½	10¾	10¾	10⅞	10¾
Sterling CDs	–	–	10⅞	11	11	10⅞
Local Authority Deps.	10⅛	10⅝	11⅛	11	11	10⅞
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	10	9⅞	–	–	–	–
Company Deposits	–	–	11⅛	11⅛	11⅛	10⅞
Finance House Deposits	–	–	11⅛	11	11	10⅞
Treasury Bills (Buy)	–	–	10⅝	10¼	9⅞	–
Bank Bills (Buy)	–	–	10⅝	10½	10⅛	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	4.85	4.35	4.25	4.35
SDR Linked Dep. Offer	–	–	7	6⅞	6⅞	6⅞
SDR Linked Dep. Bid	–	–	6⅞	6⅝	6⅝	6⅝
ECU Linked Dep. Offer	–	–	10¾	10¾	10⅝	10⅝
ECU Linked Dep. Bid	–	–	10⅝	10⅝	10½	10½

Treasury Bills (sell); one-month 10⅛ per cent; three months 10¼ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10¼ per cent; Treasury Bills; Average tender rate of discount 10.1575 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29, 1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 p.c., Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unitbank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

U.S.$200,000,000

Floating Rate Subordinated Loan
Participation Certificates due 2000

Issued by Yamaichi International (Deutschland) GmbH
for the purpose of funding and maintaining a subordinated loan to
The Hokkaido Takushoku Bank, Limited

In accordance with the provisions of the Loan Agreement, notice is hereby given that for the three month Interest Period from December 27, 1991 to March 27, 1992 the Loan Participation certificates will carry an Interest Rate of 4.675% p.a. and the Coupon Amount per U.S.$250,000 nominal of the Notes will be U.S.$2,954.34.

December 27, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Notice to Bondholders of
KEMIRA OY
ECU 100,000,000 8% Bonds
due 1992

Notice is hereby given that the paying agent for above mentioned issue has changed.

As foreseen in paragraph 16 of the Terms and Conditions of the Bonds, the Initial Process Agent;

MacPherson plc of
Charrington House
The Causeway
Bishops Stortford
GB-HERTFORDSHIRE CM 23DW

has been replaced since November 1, 1991

by: Kemira Inns ltd
Ince
GB-CHESTER CH2 4LB

BANQUE GENERALE DU
LUXEMBOURG S.A.

Notice to Warrantholders

Notice is given to the holders of the warrants to subscribe shares of common stock of Mitsubishi Oil Company, Limited issued on 18th July, 1991 that by a supplemental instrument dated 25th December, 1991 the amount stated in the form of warrant set out in the First Schedule to the instrument constituting the warrants to be payable on exercise of a warrant was amended pursuant to Condition 12(B) (ii) of the warrants to ¥701,250 to correct the manifest error therein.

Mitsubishi Oil Company, Limited

Dated: 28th December, 1991

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcasa Deposit Fund	10.96	–	11.41	3 Mth
Deposits Over £1 million	11.06	–	11.52	3 Mth
Deposits Over £2 million	11.16	–	11.63	3 Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AD			071-588 1815	
Deposit	10.70	–	11.14	3-Mth
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AD			071-588 1815	
Deposit	10.70	–	11.14	3-Mth
Gartmore Money Management Ltd				
16-18 Monument St, London EC3R 8QQ			071-236 1425	
TESSA Desk			071 236 9362	
Call Fnd	9.57	7.17	9.80	6-Mth
7-day Fund	9.66	7.24	9.89	6-Mth
Special Fund	7.91	5.93	8.20	3-Mth
Dollar	3.24	2.43	3.27	3-Mth
TESSA Prime	9.76	–	10.12	3-Mth
TESSA Plus	9.57	–	9.92	3-Mth
TESSA Saver	9.33	–	9.46	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account				
Belmont Rd, Uxbridge UB8 1SA			0800 282115	
£2,500-£9,999	8.50	6.38	8.77	Qtr
£10,000+	9.25	6.94	9.57	Qtr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	9.00	6.75	9.31	Qtr
[illegible]	9.00	6.75	9.38	Mth
[illegible]	9.50	7.125	9.92	Mth
[illegible] £50,000+	10.00	7.50	10.47	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			071-626 0879	
TOMHA (£2,001+)	10.90	8.18	11.46	Mth
OMHA (£2,001+)	10.50	7.88	11.02	Mth
HICA (£2,001+)	9.00	6.75	9.38	Mth
Premier TESSA	12.50	[illegible]	13.24	Yearly
American Express Bank Ltd				
Sussex House, Burgess Hill, West Sussex, RH15 9AW			0444 230230	
High Performance Cheque Account				
Cardmembers				
£500-£999	3.50	2.63	3.56	Mth
£1,000-£4,999	8.50	6.38	8.84	Mth
£5,000-£9,999	8.70	6.53	9.06	Mth
£10,000-£24,999	9.10	6.83	9.49	Mth
£25,000-£49,999	9.30	6.98	9.71	Mth
£50,000-£99,999	9.50	7.13	9.92	Mth
£100,000+	9.70	7.28	10.14	Mth
Non-Cardmembers				
£500-£999	3.25	2.44	3.30	Mth

[illegible]

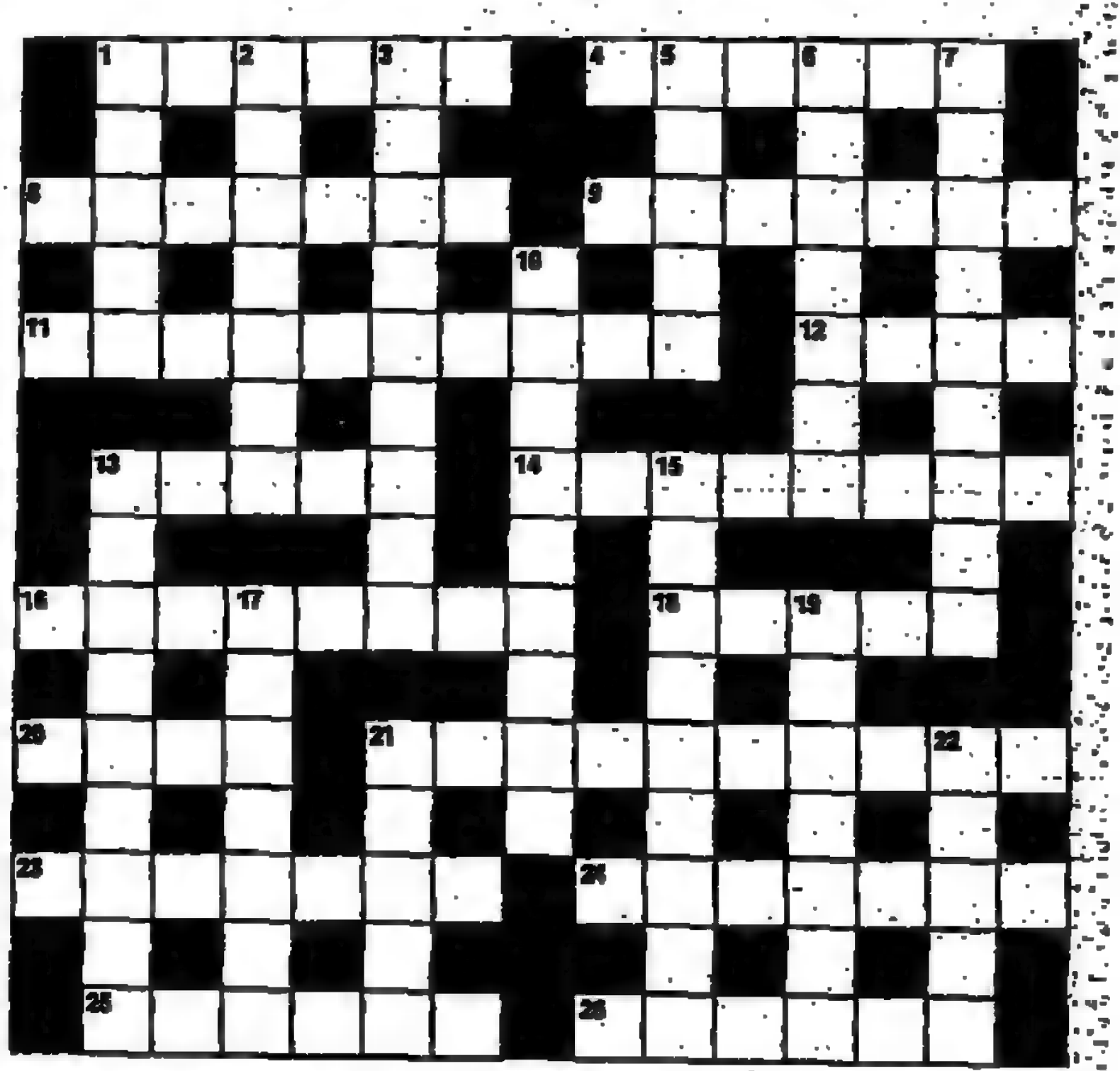
	Gross	Net	Gross CAR	Int Cr
Co-operative Bank				
PO Box 300, Skelmersdale, Lancs			0800 616162	
TESSA	11.50	–	–	Yearly
Investment 90—90 Day Notice Savings				
£50,000+	10.75	8.10	11.0	6-Mth
£25,000-£49,999	10.50	7.90	10.8	6-Mth
£10,000-£24,999	9.50	7.10	9.7	6-Mth
£5,000-£9,999	8.25	6.20	8.4	6-Mth
Pathfinder—Card Based Current Account				
All Balances	10.00	7.50	10.50	Mth
The Tier—Instant Access Savings				
£50,000+	9.50	7.10	9.7	6-Mth
£10,000-£49,999	9.00	6.75	9.2	6-Mth
£5,000-£9,999	7.75	5.80	7.90	6-Mth
£1,000-£4,999	7.25	5.40	7.40	6-Mth
£1-£999	3.50	2.60	3.50	6-Mth
Ultra Interest Bearing Current Account				
£20,000+	6.50	4.90	6.70	Mth
£5,000-£19,999	5.50	4.10	5.60	Mth
£500-£4,999	3.00	2.25	3.00	Mth
£1-£499	2.00	1.50	2.00	Mth
Coutts & Co				
Reserve Account				
440 Strand, London WC2R 0QS			071-753 1000	
For personal customers				
£50,000+	9.125	6.84	9.44	Qtr
£20,000-£49,999	8.625	6.47	8.91	Qtr
£5,000-£19,999	8.125	6.09	8.38	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	8.50	6.40	8.78	Qtr
£25,000-£99,999	8.25	6.19	8.51	Qtr
£10,000-£24,999	7.625	5.72	7.85	Qtr
Coutts Composite Account for clients money				
27 Bush Lane, London EC4R 0AA			071-623 3434	
Rates negotiable at to	8.75	–	–	
Dartington & Co Ltd Investment HICA				
70 Prince St, Bristol BS1 4QD			0272 213206	
£50,000-[illegible]	9.50	7.13	9.84	Qtr
£25,000-£49,999	9.25	6.94	9.58	Qtr
£5,000-£24,999	9.00	6.75	9.31	Qtr
Financial & General Bank plc				
13 Lowndes Street, London, SW1X 9EX			071-235 0036	
H.I.D.A. £50,000	10.85	8.137	11.12	6-Mth
H.I.D.A. £10,000-£49,999	10.50	7.875	10.77	6-Mth
Gartmore Money Management Ltd				
16-18 Monument St, London EC3R 8QQ			071-236 1425	
HICA £10,000+	8.75	6.56	9.04	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc				
Trinity Road, Halifax HX1 2RG			0422 335333	
£5,000-£9,999	9.00	6.75	9.31	Qtr
£10,000-£24,999	9.80	7.35	10.17	Qtr
£25,000-£49,999	10.25	7.69	10.65	Qtr
£50,000 and above	10.90	8.18	11.35	Qtr
Julian Hodge Bank Ltd				
10 Windsor Place, Cardiff CF1 3BX			0222 220800	
6 Mth Fixed Rate Bnd Acc	11.00	8.25	–	
Extra High Interest Deposit Account				
£50,000+	10.75	8.06	11.19	Qtr
£10,000+	10.25	7.69	10.65	Qtr
£5,000+	9.75	7.31	10.11	Qtr
Humberclyde Finance Group				
Charley Ct, Winchester Rd, Basingstoke			0256 841863	
£50,000+	10.50	7.88	10.82	Qtr
Kleinwort Benson Ltd				
158 Kentish Town Rd, London NW5 2BT			071 267 1586	
H.I.C.A. (£2,500+)	9.75	7.31	10.21	Daily
Lloyds Bank – Investment Account				
71 Lombard St, London EC3P 3BS			0272 433372	
£50,000 and above	10.40	7.80	10.40	Yearly

[illegible]

JOTTER PAD

CROSSWORD

No.7,732 Set by GRIFFIN



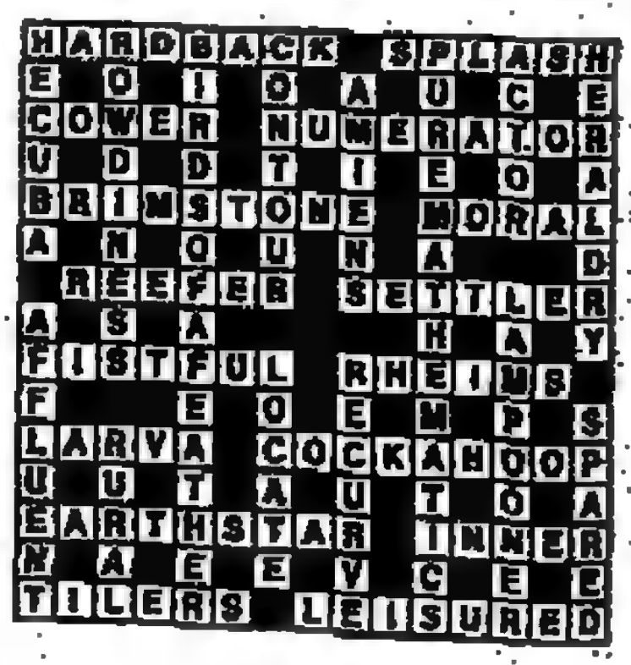
ACROSS

1 Drink can go cold coming back (6)
4 Japan has no right to disappear! (6)
8 Plan withdrawn due to what cat did (7)
9 Ex-skinhead makes shaping devices (7)
11 Regarded as kinky Enid scored! (10)
12 Rubbish you heard during disorderly retreat (4)
13 Married and middle-aged club (5)
14 Got the hang of turning trees into nuts! (8)
16 Things floating on board, not the other way (8)
18 Half undo one forward coupling (5)
20 One ordered off for scoffing? (4)
21 Satisfied no-one backing competition (10)
23 Narrow cover enclosing tiny insect (7)
24 Killing time after first half of carnival (7)
25 Puzzling situation in game reserve (6)
26 View of rugged capes, initially terrifying (6)

DOWN

1 Publicise company without capital (5)
2 Complained if woken up after midnight! (7)
3 Improvement to repair meant moving around (9)
5 Said "allowed" in a normal voice (5)
6 Two males, one Gaelic, going round for dip (7)
7 He managed to include new clue, extremely difficult! (9)
10 *Professional* tin men, awfully distinguished (9)
13 Wine lover could become glutton (9)
15 Cooking pots of brass break up (9)
17 Dia na utilised some shellfish (7)
19 Very *strong pole I strained* to grab (7)
21 Best to get about 480 sheets (5)
22 *Looked for top off figure* (5)

Solution to Puzzle No.7,731



HARDBACK SPLASH
E O I O A U C E
COWER NUMERATOR
U D D T I E O A
BRIMSTONE MORAL
A N O U N A D
REEFER SETTLER
A S A H A Y
FISTFUL RHEIMS
F E O E M P S
LARVA COCKAHOOP
U U T A U T O A
EARTHSTAR INNER
N A E E V C E E
TILERS LEISURED

WORLD STOCK MARKETS

TOKYO - Most Active Stocks

Thursday 26 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Penta-Ocean	4.8m	980	+70	Meiji Milk	3.3m	920	-30
Sato Kogyo	4.7m	1,440	+40	Clarion	3.2m	1,030	-70
Toyo Ink	4.2m	880	-30	Hitachi Zosen	2.8m	665	
Okamoto	3.9m	981	-59	Nissan Chemical	2.5m	845	+27
Mitsui Mining	3.3m	480	+30	Mitsui Ship	2.2m	585	+10

3:00 pm prices December 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	4.2	12	428	11⅝	11⅛	11⅜	+⅛
22⅞	14½	AL Labs A x	0.16	0.8	23	122	21⅜	21	21⅛	-⅛
56¼	40⅞	AMP Inc	1.44	2.5	23	1899	u58¼	56⅜	58¼	+2⅛
69	44¼	AMR				133567	68½	67⅜	68½	+1
2⅞	1	ARX			1	103	1½	1⅜	1½	
66	41½	ASA	3.00	6.6	13	233	46½	45⅞	45⅞	-⅛
65⅞	30¼	Abbott Lab x	1.00	1.5	27	1761	u66½	64½	66½	+1⅜
14⅞	9⅞	AbitibI Pr x	0.50	4.0	16	16	12⅝	12½	12½	-⅛
11⅝	10⅞	ACM Gvt In x	1.31	11.8		249	11⅛	11	11⅛	
9⅞	8⅜	ACM GvOpp	1.05	11.2		79	9⅝	9⅜	9⅜	-⅛
9½	8¼	ACM Gvt Sp x	1.09	11.8		227	9⅛	9	9⅛	
11	9⅞	ACM Gvt Sc x	1.26	11.8		161	10⅝	10½	10⅝	+⅛
9⅛	7⅝	ACM Man x	1.05	11.5		337	u9⅛	9	9⅛	+⅛
12⅞	11½	ACM Mangd x	1.35	10.7		43	12⅝	12½	12⅝	
7½	4¾	Acme Cleve	0.40	6.2	14	151	6½	6⅜	6½	+⅛
9	3⅞	Acme Elect			3	29	4⅝	4⅝	4⅝	-⅛
40	22¾	Acuson				181685	29⅜	28⅞	29⅜	+1
20⅛	14¼	Adams Expr	1.63	8.6	0	61	19	18¾	19	+¼
20⅛	12⅞	Adobe12P1	2.40	18.5		338	13½	13	13	-⅛
9⅛	3⅞	Adobe Res				431445	4½	4¼	4⅜	
42⅞	18	Ad Micro				128	42¼	41¾	41¾	-⅜
17¾	4⅝	Ad Micro P	3.00	17.5		869893	17⅜	17	17⅛	-⅛
5⅛	2¼	Advest Grp	0.16	3.8	8	265	4⅜	4¼	4¼	
48⅛	31⅞	Aetna Lf x	2.76	6.8		83293	40⅞	39¾	40¾	+1⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- V -

- W -

- X - Y - Z -

- U -

- T -

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 26

NASDAQ NATIONAL MARKET

3:00 pm prices December 26

FINANCIAL TIMES
Friday December 27 1991

AMERICA

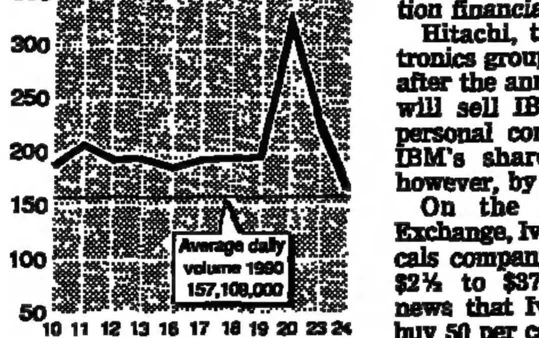
Dow continues to strengthen as laggards recover

Wall Street

PRICES ROSE moderately in light post-Christmas trading yesterday, with investors showing some preference for stocks that have been out of favour in recent months, *writes Alan Friedman in New York.*

The Dow Jones Industrial Average gained 15.43 to 3,066.41 by 1.30pm – within 11 points of its record high set in October – in trading volume of 84.97m shares on the New York Stock Exchange. The Standard & Poor's 500 was 2.84 higher at 402.17, while the Nasdaq composite of over-the-counter stocks rose by 5.08 to 554.64. On Tuesday, the Dow had risen 28.40 to 3,050.98 in light volume of 163m shares.

NYSE volume



Among the most actively traded stocks was Citicorp, the largest US commercial bank, which is half-way through its two-year programme of cost cutting. Its share price was marked down to a 12-month low of $8⅝ last week, but has bounced back on the news that federal bank examiners from the Office of the Comptroller of the Currency have completed their inspection.

Citicorp said on Tuesday that, following the inspection, it expected fourth quarter loan provisions to be in line with its own expectations, a statement that was vague but sufficient to persuade investors that there should not be any more surprises such as the $885m loss Citicorp unveiled for the third quarter. Yesterday Citicorp's share price rose $⅝ to $10⅝ in volume of 1.81m shares.

The price of shares in Banc One, the successful Midwestern banking group, rose by $⅛ to $50⅞ in light trading. The price rise came after Banc One said that it would explore a new way to acquire Premier Bancorp of Baton Rouge, Louisiana. The Federal Reserve said it would not approve a merger plan under which Banc One would inject capital into Premier.

Elsewhere, General Motors was marked $¼ lower to $29⅛ following a downgrade of the vehicle group's long-term debt rating and concern over a possible downgrade of its General Motors Acceptance Corporation financial services unit.

Hitachi, the Japanese electronics group, jumped $2 to $71 after the announcement that it will sell IBM notebook-sized personal computers in Japan. IBM's share price declined, however, by $⅝ to $87⅞.

On the American Stock Exchange, Ivax, a pharmaceuticals company, was boosted by $2⅛ to $37⅞ following the news that Ivax has agreed to buy 50 per cent of Baker Cummins Dermatologicals from Union Carbide's chemicals and plastics division. The purchase, to be paid for in Ivax stock, will give Ivax 100 per cent of the Baker Cummins unit.

Canada

CHRISTMAS EVE finished on a positive note for Toronto stocks, before the market closed for a two-day holiday.

The composite index closed 23.8 up at 3,402.0 in a half-day session. Volume was 8.5m shares, compared with Monday's full-day 17.2m. Value fell to C$118m from C$206m.

Royal Trustco gained C$⅜ to C$7⅜. The company said that a preliminary review of 1991 results had led to an additional provision of about C$70m for UK lending. It said that the provision was for loans made before June 1990, when it restructured lending policies.

End of Zimbabwe's run revives 1981 memories

Tony Hawkins on prospects for one of sub-Saharan Africa's top three markets excluding Johannesburg

ZIMBABWE's remarkable three-year bull run came to a sudden end on September 3, when the local Industrials index peaked at 2,732 – up almost 400 per cent in 32 months – and reminded investors of what happened just over 10 years earlier.

In February 1981, Zimbabwe shares were knocked off their perch by rising interest rates, as monetary policy was tightened to curb inflation and stabilise the balance of payments. The Industrials index, which includes 53 stocks, fell from its previous peak of 464, registered in February 1981, to a 17-year low of 101 in August 1984.

From there it was a long, slow recovery to a new all-time high in 1988, before rising 57 per cent to 869 in 1989 and 163 per cent to 2,263 during 1990.

The 1989-90 boom was the result of steady economic growth, surging profits boosted by quickening inflation, and the scarcity of alternative investment opportunities in an overheated market, fenced in by tight exchange controls.

The equity market, which had seen capitalisation peak at Z$1.1bn (US$1.7bn) early in 1981, collapsed to a mere Z$262m (US$174m) by 1984, before growing by Z$4.6bn to Z$7bn last year, making it sub-Saharan Africa's second largest market after South Africa.

That status was shortlived. The 45 per cent devaluation of the Zimbabwe dollar, most of which took place in August and September, and the subsequent market shake-out knocked almost Z$2bn off the market capitalisation, which had peaked at more than Z$8.7bn in September. In early December, the market was valued at Z$6.9bn, and Zimbabwe was back in third place in the African stock market league table, behind Nigeria.

A welcome feature this year has been the strength of the new issue market. Three new companies came to the market – Barclays Bank Zimbabwe, which raised Z$51.6m, Falcon Gold Mines, Z$19.9m, and UDC, Z$30.6m. A further 21 companies raised a total of Z$615m through rights issues to give a new record for the issue market of US$143m raised in one year. More issues are in the pipeline, with a big new listing planned for February.

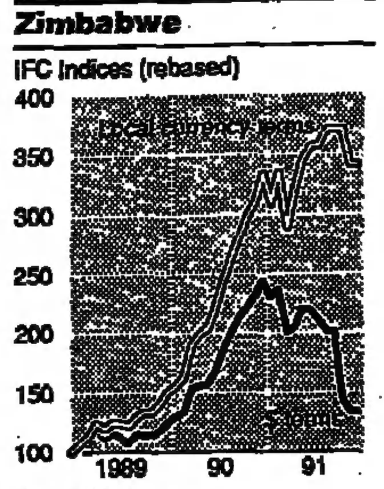
Since the September market correction, turnover has fallen and buying interest has shifted from industrials to the mining sector, where the gold producers (Rio Tinto, Cluff, Falcon Gold) are benefiting from devaluation, along with the two Anglo-American group mining companies, Bindura Nickel and Zimbabwe Alloys.

Although the industrials index has fallen almost 30 per cent from its peak to 1,950 in mid-December, and is 15 per cent below its level of a year ago, some dealers predict a recovery early in the new year, in spite of the generally bearish outlook for the economy.

Inflation, which will average 25 per cent this year, will accelerate further next year, while economic growth of 3 per cent or less in 1991 will slow. Most important of all, with an International Monetary Fund agreement imminent, the authorities will have to curb credit growth and push up interest rates, which are already running at double the levels recorded in the first half of the year.

The average gross dividend yield – in industrials – of 5 per cent was sustainable when investors were enjoying capital growth of 70 per cent a year. But with inflation at 30 per cent and with a period of consolidation, or even continued drift, in prospect, investors are likely to focus on minings, where handsome profits growth is on the cards, until cost inflation catches up with the price gains of devaluation.

Zimbabwe



Source: Datastream

Nigerian advance gathers momentum

NIGERIA's stock market gathered momentum during 1991, with the share price index rising by more than 50 per cent from 514 at the end of 1990 to 775 in mid-December, writes Tony Hawkins.

In the last three years, equity prices have more than trebled, from 234 on the index in December 1988 to 775 at present.

In part, this reflects inflation, which touched 50 per cent during 1989 before falling back into single figures in 1990 and the first half of 1991. It is also the result of strong economic growth, which averaged more than 5 per cent a year over the period, and buoyant oil revenues in 1990 and early this year.

In naira terms, market capitalisation has increased 52 per cent in the first 10 months of 1991 to N17.5bn from N11.5bn at the end of 1990. In US dollars, the market was worth $1.8bn – virtually double its low point of $960m three years ago and a rise of more than 33 per cent during 1991.

In spite of this, the Nigerian market today is worth only 60 per cent of its peak 1981 value of more than $8bn – the consequence of the steep devaluation of the naira following the implementation of the structural adjustment programme in 1986.

A surge of rights issues and an increase in the total of listed companies account for part of the growth in 1991. Over the past year, the number of listings has increased to 141 from 131, while in the first half of 1991 there were 34 rights issues.

The stock exchange was the vehicle for three privatisations in the first half of the year – the 48m-share Unipetrol issue, the sale of 14.1m shares in National Salt Company and the sale of 28m shares in Ayip Eku Oil Palm. These three raised N129m ($13.2m), while a total of N59m came from eight other public offerings, including rights issues.

However, there has been a price to pay for the new issue activity: a marked decline in new debenture issues. With equities offering an average dividend return of 8.5 per cent, down from 12 per cent a year ago, equity finance is now regarded as cheaper than debentures placed at 18.5 per cent.

JOHANNESBURG drifted aimlessly in an abbreviated session on Tuesday, before the Christmas break. The all-gold index added 4 to 1,178, Vaal Reefs closing R3 higher at R201, helping the all-share index gain 12 to 3,420. But the industrial index stood still at 4,098.

Kenya has sluggish year

THROUGHOUT 1991, Nairobi's nascent stock exchange continued to do sluggish business, writes Julian Ozanne.

The number of shares traded each week averaged 130,000-150,000. Monthly turnover this year was less than $1m on average, in a market capitalised at about $350m. When the Nairobi Stock Exchange (NSE) closed in early December for a month, the share index stood at 960.81, up just 5 per cent from 915.3 at the end of 1990.

In spite of the establishment of a trading floor this year, the NSE, which lists 56 companies, is hampered by an absence of new issues and by the small pool of shareholders who hold on to their equities tenaciously. There have been just two public share issues in the last two years, by Kenya Commercial Bank and Kenya Finance Corporation, while two others have been aborted.

Hopes are high that the liberalisation of the financial sector, currently under way, and the privatisation of the 138 companies in which the government has holdings will significantly boost trading.

The Capital Markets Authority believes that the market can absorb 1bn-2bn Kenyan shillings worth of new issues over the next 15 months and has plans to bring as many as possible of the 15 parastatals marked for flotation to the market in 1992.

Some of the companies in which the government is selling its stake – such as Kenya Breweries, Kenya Commercial Bank, BAT Kenya, Bamburi Portland Cement and ICDC Investments – are already quoted on the NSE.

ASIA PACIFIC

Nikkei follows the futures market higher

Tokyo

SHARE PRICES were dominated yesterday by movements in the futures market, which strengthened on the firm bond market and higher yen, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 93.90 higher at 22,555.07. The index had surged 796.64 on Wednesday to 22,461.17, after falling 112.59 to 21,664.53 on Tuesday. The Nikkei fluctuated between 22,813.31 and 22,356.15 yesterday, with gains leading losses by 608 to 370, and 179 issues unchanged. The Topix index rose 10.22 to 1,685.55.

Thin volume exaggerated price movements, with only 200m shares traded yesterday after 240m on Tuesday and Wednesday, although there was some window-dressing by funds. Volume on the first section this year will probably be the lowest in nine years, falling below 100bn shares for the first time since 1984.

Options traders tried to manipulate prices yesterday, the exercise day for contracts. Mr Masami Okuma at UBS Phillips & Drew said that buying focused on calls, or buying rights.

Hopes that the government will increase fiscal spending helped Maeda Road Construction, the road builder, advance Y40 to Y2,930 and Sato Kogyo, a general contractor, rise Y40 to Y1,440.

Some investors were encouraged by reports that the government intends to lift loan restrictions to real estate and construction-related industry. Mitsui Real Estate firmed Y20 to Y1,420 and Misawa Homes added Y10 to Y1,570.

On the negative side, some high-technology issues were sold on worries over the weak US economy and lower earnings for the current year. Sony fell Y70 to Y4,070 and Fanuc lost Y90 to Y3,980.

In Osaka, the OSE average rose 144.90 to 23,666.72 in volume of 16.4m shares. On Wednesday, the index had added 189.25 to 23,721.82, after losing 146.85 to 23,532.57 on Tuesday. Volumes surged on window-dressing, with 76.8m shares traded on Tuesday and 44.1m on Wednesday.

Roundup

THE RECENT strength in Tokyo and on Wall Street encouraged the Pacific Rim both yesterday and on Tuesday. On Wednesday, only Thailand was open, while yesterday, Hong Kong, Australia and New Zealand remained shut.

SEOUL ended slightly higher yesterday, on the last trading day of the year. The composite index, which rose 24.08 to 610.59 on Tuesday, added another 0.33 to 610.92, but fell 10 per cent over the year.

TAIWAN passed the 4,500 resistance level on the weighted index in busy trading yesterday. The index gained 80.0 or 1.8 per cent to 4,529.58, as investors hunted for low-priced blue chips.

BANGKOK was lifted by government comments on measures to help banks next year. Bangkok Bank accounted for a fifth of the total market turnover of Bt2.54bn as it jumped Bt20 to Bt414. The SET index rose 8.83 to 698.19, after adding 6.00 to 689.36 on Wednesday. MANILA's composite index gained 13.66 to 1,138.78.

HONG KONG performed well in Tuesday's half-day session, the Hang Seng index climbing 46.64 to 4,192.76, in market turnover of HK$718m, down from HK$947m. NEW ZEALAND's NZSE-40 index rose 14.39 to 1,470.14 on Tuesday, thanks to foreign buying.

EUROPE

Transatlantic inspiration lifts bourses

THE EBULLIENT performance of Wall Street this week brought bourses out of their gloomy mood. Paris and Madrid both advanced yesterday, in spite of the closure of other European markets for the second day of Christmas, *writes Our Markets Staff.*

MADRID put on 1.6 per cent on its return from a two-day break. Turnover was moderate at about Pta16bn, boosted by a couple of large block trades, as the general index rose 3.82 to 235.51.

Among the winners, BBV gained Pta65 to Pta2,410 with 375,210 shares traded. Elsewhere in the banking sector, a put-through of 1m shares in Banco Hispano Americano lifted volume in the stock to 1.27m shares, as the price edged up Pta10 to Pta3,020. Hispamer, the leasing company, leapt Pta635 or 31.8 per cent to Pta2,630, before the opening of Banco Hispano's tender offer for the 20 per cent of Hispamer that it does not already own.

There was also activity among utilities. Endesa rose Pta60 to Pta2,835 in volume of 762,345 shares, which included a large put-through, while Fecsa gained Pta18 to Pta632 in 394,679 shares and Union Fenosa added Pta5 to Pta543 in 506,075 shares.

Vallehermoso, the property company which expects a 30 per cent rise in pre-tax profits for 1991, gained Pta195 or 9.8 per cent to Pta2,185.

PARIS built on Tuesday's 4 per cent jump, but trading was thin and technical. The CAC 40 index gained 23.38 or 1.4 per cent to 1,722.48 in turnover of about FFr900m, after rising 65.53 on Christmas Eve, the first day of the new account, in turnover of FFr1.2bn.

The day's winners included market laggards, such as Paribas, which jumped FFr18 or 6.1 per cent to FFr311.50 after its banking arm said that its exposure to Soviet debt was fully covered. Hachette, the media group, added FFr12 or 10.2 per cent to FFr130.10 after saying late on Tuesday that it would not continue to support the troubled La Cinq television station on its own.

BSN, the food group, was the most active stock in turnover of FFr44m, as it rose to a year's high of FFr1,003 before closing FFr22 up at FFr999.

AMSTERDAM's rally on Tuesday was called "very technical", as the CBS Tendency index gained 0.9 or 1 per cent to 87.4 in extremely light trade.

Begemann, the industrial concern which is mounting a hostile bid for Grasso, a Dutch technical installation company, rose Fl 12.50 or 11 per cent to Fl 127 as it forecast a 20 per cent increase in 1991 profits.

KLM saw most activity as it rose 20 cents to Fl 40.40, after the recent government support for a merger between KLM and British Airways.

ZURICH approached Christmas with gains in modest volume on Tuesday. In a shortened session, selective blue chip buying lifted the Crédit Suisse index by 7.8 to 444.6.

One dealer suggested that the extremely thin volume had exaggerated the share price gains. "Demand was quite moderate, but as soon as a small number of titles changed hands, prices took off," he said.

BRUSSELS saw a BFr200 or 1.9 per cent rise in Petrofina, the oil, gas and petrochemical group, to BFr10,800 in volume of 13,780 shares. The activity seemed to be mostly short-covering before the holiday by local traders. The Bel20 index put on 8.27 to 1,079.68

Gechem preferred shares lost BFr12 or 3.3 per cent to BFr348 in 34,700 shares, after Monday's sharp rise.

ISTANBUL ended yesterday's erratic session slightly lower. The 75-share index lost 7.01 to 4,338.67, after rising 71.15 on Wednesday and falling 201.95 or 4.5 per cent on Tuesday, in a correction following an 8.8 per cent jump at the start of the week.

FT-SE Eurotrack 100 - Dec 24

Hourly changes †

Open	10	10.30	11	11.30	12	Close
1040.49	1040.54	1041.08	1042.12	1041.83	1041.85	1042.60

Day's High 1042.75 Day's Low 1040.20

Dec 23	Dec 20	Dec 19	Dec 18	Dec 17
1026.29	1032.92	1043.04	1055.55	1056.74

Base value 1000 (26/10/90) † Partial.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 24 1991								MONDAY DECEMBER 23 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	143.92	+0.3	113.74	115.63	113.66	125.78	+0.3	4.42	143.45	113.34	114.71	112.88	125.42	160.31	112.74	117.62
Austria (20)	166.36	−0.1	131.47	133.66	131.38	131.19	+0.0	2.20	166.46	131.51	133.11	130.98	131.19	222.37	153.86	193.42
Belgium (47)	142.38	+0.7	112.52	114.38	112.44	109.90	+0.9	5.39	141.34	111.67	113.01	111.22	108.93	151.20	118.04	128.92
Canada (115)	131.92	+0.7	104.25	105.98	104.17	110.76	+0.6	3.31	131.04	103.54	104.78	103.11	110.07	144.26	126.49	129.05
Denmark (37)	265.08	+0.0	209.49	212.98	209.34	213.26	+0.0	1.68	265.08	209.44	211.97	208.59	213.26	270.56	217.74	224.71
Finland (15)	74.28	+0.1	58.70	59.68	58.66	64.38	+0.0	3.79	74.19	58.62	59.33	58.38	64.38	125.15	73.32	101.48
France (109)	144.92	+3.2	114.53	116.42	114.44	118.04	+3.5	3.75	140.43	110.95	112.28	110.49	114.00	152.28	119.11	130.80
Germany (65)	114.59	−0.4	90.56	92.07	90.49	90.49	+0.0	2.55	115.00	90.86	91.97	90.49	90.49	125.35	94.15	110.62
Hong Kong (55)	171.93	+1.0	135.88	138.13	135.79	171.52	+1.0	4.34	170.29	134.54	136.17	134.00	169.97	176.14	119.62	123.28
Ireland (18)	164.02	+0.6	129.62	131.78	129.53	132.14	+0.8	3.79	163.09	128.86	130.42	128.33	131.06	182.46	132.88	145.79
Italy (77)	72.34	−0.2	57.17	58.11	57.12	62.15	+0.0	3.73	72.48	57.27	57.95	57.03	62.15	88.23	64.76	76.16
Japan (474)	126.85	−1.0	100.25	101.91	100.19	101.91	−0.5	0.84	128.09	101.20	102.43	100.81	102.43	146.97	118.23	126.30
Malaysia (68)	210.34	+0.9	166.23	168.99	166.11	221.20	+0.9	2.82	208.55	164.77	166.75	164.09	219.31	247.78	189.16	209.43
Mexico (17)	1314.59	+2.1	1038.92	1056.17	1038.17	4370.86	+2.1	1.17	1288.13	1017.73	1030.03	1013.59	4282.88	1404.63	534.45	583.97
Netherland (31)	150.73	+0.8	119.12	121.10	119.04	117.88	+1.1	4.58	149.59	118.19	119.61	117.71	116.54	150.73	125.70	131.10
New Zealand (14)	46.29	+1.3	36.58	37.19	36.56	45.12	+1.1	6.09	45.71	36.12	36.56	35.97	44.62	54.64	41.18	43.06
Norway (30)	169.95	+0.0	134.31	136.54	134.21	138.00	+0.0	1.87	169.95	134.27	135.90	133.73	138.00	223.24	157.08	193.70
Singapore (38)	212.32	+1.3	167.79	170.58	167.67	159.24	+1.3	2.19	209.62	165.62	167.62	164.94	157.12	213.93	151.63	158.27
South Africa (61)	246.11	+1.6	194.50	197.73	194.36	172.15	+0.3	2.86	242.26	191.41	193.71	190.62	171.65	271.99	173.00	181.92
Spain (53)	148.14	+0.2	117.08	119.03	116.99	108.41	+0.0	5.10	147.91	116.86	118.28	116.39	108.41	171.12	131.51	138.58
Sweden (25)	171.91	−0.3	135.86	138.12	135.76	141.30	+0.0	3.16	172.37	136.19	137.84	135.64	141.30	204.12	146.60	155.90
Switzerland (59)	98.25	+1.0	77.64	78.94	77.60	82.32	+1.5	2.43	97.27	76.85	77.78	76.55	81.11	100.67	82.17	87.00
United Kingdom (235)	178.07	+1.6	140.73	143.05	140.61	140.73	+1.6	5.29	175.31	138.51	140.17	137.93	138.51	187.44	156.27	161.67
USA (525)	162.71	+0.7	128.59	130.73	128.50	162.71	+0.7	3.00	161.64	127.71	129.26	127.20	161.64	162.71	125.95	133.31
Europe (821)	142.78	+1.1	112.84	114.72	112.77	113.50	+1.3	4.24	141.17	111.53	112.88	111.09	112.02	151.52	125.50	131.88
Nordic (107)	178.21	−0.1	140.84	143.18	140.74	139.77	+0.0	2.31	178.39	140.94	142.64	140.37	139.77	200.81	155.55	162.50
Pacific Basin (718)	128.53	−0.8	101.57	103.26	101.50	104.55	−0.4	1.17	129.56	102.36	103.60	101.95	104.94	145.92	117.86	125.54
Euro−Pacific (1539)	134.53	+0.0	106.31	108.07	106.23	106.86	+0.3	2.47	134.51	106.27	107.55	105.83	106.50	147.68	121.29	128.47
North America (640)	160.75	+0.7	127.04	129.16	126.97	159.17	+0.7	3.01	159.70	126.17	127.71	125.68	158.13	160.75	125.91	132.95
Europe Ex. UK (586)	121.55	+0.8	96.06	97.67	96.01	97.80	+1.1	3.47	120.54	95.24	96.41	94.87	96.72	129.80	103.58	113.63
Pacific Ex. Japan (244)	145.06	+0.7	114.64	116.56	114.57	130.06	+0.7	4.08	144.01	113.78	115.17	113.32	129.13	153.19	111.40	115.93
World Ex. US (1732)	136.36	+0.1	107.76	109.56	107.69	110.65	+0.4	2.50	136.24	107.64	108.95	107.21	110.26	148.16	122.32	129.27
World Ex. UK (2022)	140.99	+0.2	111.43	113.28	111.36	125.29	+0.3	2.38	140.78	111.22	112.58	110.78	124.87	148.16	120.06	128.51
World Ex. So. Af. (2196)	143.55	+0.3	113.45	115.34	113.38	126.38	+0.5	2.69	143.15	113.10	114.47	112.65	125.78	148.69	122.92	129.31
World Ex. Japan (1783)	154.77	+0.8	122.31	124.36	122.24	140.74	+0.9	3.49	153.45	121.24	122.71	120.76	139.49	155.59	126.69	132.64
The World Index (2257)	144.22	+0.3	113.98	115.87	113.90	126.79	+0.5	2.69	143.79	113.60	114.98	113.15	126.19	149.37	123.28	129.63

Markets closed December 24: Austria, Denmark, Finland, Germany, Italy, Norway, Spain and Sweden. Latest prices were unavailable for this edition.